PRELIMINARY REPORT
ROLE AND MANDATE OF TORONTO HARBOURFRONT CORPORATION
POLICY REVIEW

July 27, 1987

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PREFACE

This preliminary report of the Policy Review of the Role and Mandate of Toronto Harbourfront Corporation is published under the authority of the Minister of Public Works, the Honourable Stewart McInnes.

It is intended as an aid to public consideration and discussion of issues surrounding the current role and mandate of the Corporation and possible future directions.

Harbourfront Corporation is a federal Crown Corporation incorporated pursuant to the Ontario Corporations Act and continued under the Canada Business Corporations Act for the purpose of developing federal property on the shores of Lake Ontario in the City of Toronto.

The sole shareholder representing the Crown, is the Minister of Public Works.

Comments on the contents of this report, or further enquiries may be directed to the Director General of Corporate Affairs, Public Works Canada, Sir Charles Tupper Building, Ottawa K1A 0M2. Telephone: (613) 998-8110. (The report is available in the French language.)

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INTRODUCTION

On March 24, 1987, the Minister of Public Works, after consultation with interested Ministers, called for a policy review of the role and mandate of Toronto Harbourfront Corporation, to be undertaken by an interdepartmental Working Group under the chairmanship of Public Works Canada. The terms of reference are shown in Appendix A.

The review is to be completed by September 1987 with a preliminary report to be presented to the Ministers by the end of June. In addition to responding to specific issues, the Minister directed that the policy review be carried out in consultation with the City of Toronto, Metropolitan Toronto and the Province of Ontario.

This preliminary report responds to the Minister's direction. Its purposes are to analyze the policy framework within which Harbourfront Corporation operates, to describe the current mandate, role and status of the Corporation, and to aid public consideration and discussion of Harbourfront issues and possible future directions.

In addition, the report notes complementary actions which are being undertaken on behalf of the President of the Treasury Board (the Toronto Land Management Study: S. McLaughlin), the City of Toronto (Land Use Review: public consultation process), and Harbourfront Corporation (Harbourfront Forum debates on Harbourfront issues.)

FEDERAL POLICY FRAMEWORK

Fundamentally, the mandate and role of Toronto Harbourfront Corporation fall under the Federal Land Management Policy (FLMP), which has guided federal involvement in land redevelopment (particularly central area and waterfront regeneration) for the past fourteen years.

The FLMP states that:

> "Federal lands should be managed so as to combine the efficient provision of government services and the efficient use of federal real property with the achievement of wider social, economic and environmental objectives".

Although the announcement of the Harbourfront project (1972) predated the promulgation of the policy (1973) both events occurred at a time when the Government of Canada was concerned about and thought it necessary to be involved in the regeneration of Canadian cities. In fact, recognizing that many of its policies had impacts on cities, the government had created the Ministry of State for Urban Affairs (MSUA) in 1969, with a mandate to coordinate federal policy and the delivery of federal programs in urban areas.

MSUA led a troubled existence. Lacking clout at the Cabinet table, its mandate challenged by other federal departments and agencies and provincial governments, and unable to develop a municipal constituency until too late, the Ministry was abolished in 1979 as a cost-saving measure.

However, during this period the Government had become involved in a number of urban redevelopment projects across the country by a variety of means and through several federal departments and agencies (including DREE, CMHC and PWC). Mechanisms included both federal and provincial Crown Corporations, and both direct funding and indirect funding through grants and contributions. This range of federal involvement is illustrated in Appendix B.

While land redevelopment policy provided the primary justification, in some cases associated with economic/regional development policy, many if not all of these redevelopment projects supported broader government objectives by taking advantage of a wide range of generally available programs, including housing, job creation, tourism development, cultural development, etc. None of the federal government's other projects, however, carried the programmatic activities as far or as successfully as Harbourfront has done particularly in cultural and recreational programming.

The demise of MSUA appeared to signal a reduced federal involvement in cities except where previous government commitments remained to be fulfilled.

When the present administration came to office in 1984, the Ministerial Task Force on Program Review (MTFPR) was established. The MTFPR chose to examine federal real property as one of its tasks. The study team examined the FLMP briefly and recommended that it should be restated to give greater priority to serving program needs over broader government objectives. As well the study team recommended a vigorous program of divestiture to rid government of surplus or under-utilized lands, and in the case of Harbourfront Corporation recommended that "the Minister of Public Works be requested to recommend alternatives for the government's divestiture of the Corporation to the private sector or another level of government".

These policy recommendations were consistent with the broad policy themes that the government had announced in the Throne Speech and the Economic Statement of November 1984, which emphasized:

- improved management of federal activities,
- economic renewal and fiscal restraint, and
- harmonious federal-provincial relations.

While government to date has not considered the re-statement of the FLMP, the Bureau of Real Property Management (BRPM) in the Treasury Board Secretariat has drafted a modification which is in line with the principles of real property management recommended by the MTFPR and accepted by Cabinet. It reads as follows:

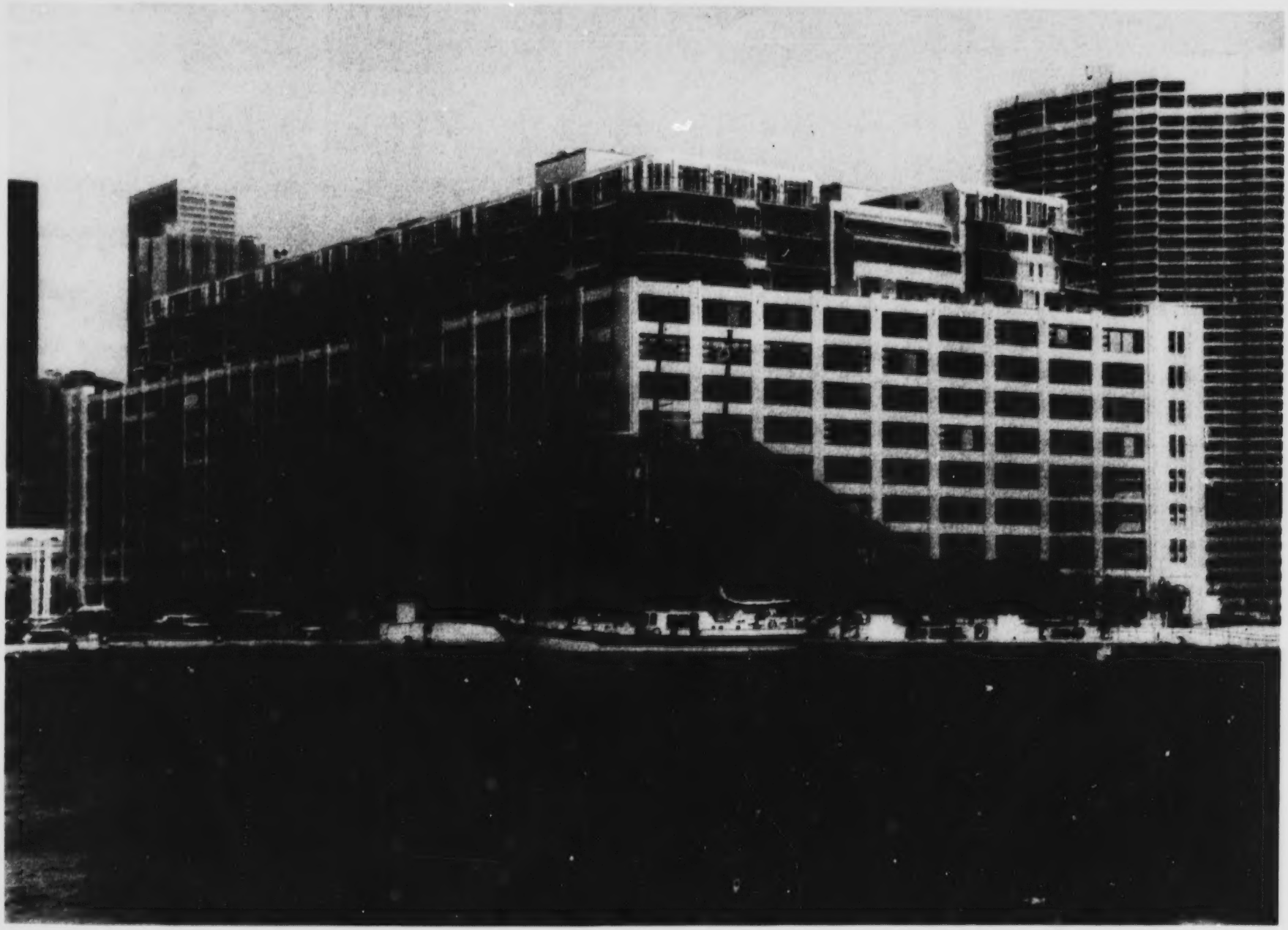
> "Federal Government real property is owned by Her Majesty in right of Canada and constitutes a single inventory of assets to be managed so as to maximize the efficient provision of government services and the economic use of federal property while taking into account broader socio-economic and environmental objectives".

In considering the MTFPR recommendations (July 1985) Cabinet directed that the Minister of Public Works should examine the feasibility of privatizing the land development corporations that fall under his authority, with the exception of le Vieux Port de Montréal, where federal commitments to redevelop this area of the City had not yet been realized.

During 1986, the possible privatization of Toronto Harbourfront Corporation was considered by the Privatization Task Force and PWC, but this initiative was shelved in early 1987 pending the outcome of the Toronto Land Management Study.

In 1987, the Corporation handling the redevelopment of the Vieux Port de Québec has reached the point where it is about to be wound down, its mission having been accomplished. Mirabel Corporation, responsible for disposal of lands around Mirabel Airport will soon be in the same position.

In summary, the basic thrust of federal land management policy has been moving away from the broader socio-economic objectives towards a concentration on the retension and management of lands required to support the delivery of federal programs, except in those cases where the government has felt obligated to uphold commitments made previously.



THE CURRENT MANDATE AND ROLE OF HARBOURFRONT CORPORATION

When it was announced in October 1972, Harbourfront was seen by federal spokesmen as a waterfront (urban) park, designed to provide year-round public facilities and activities. The federal government stated that it was taking the initiative to expropriate and assemble the site because it believed that this action was the last chance to prevent a "ceramic curtain" of high rises being built by private sector interests who were poised for investment. The government thought that such privatization developments would block off the waterfront permanently.

In making the announcements comparisons were drawn between the potential of the Harbourfront site and Vancouver's Stanley Park, Quebec's Plains of Abraham and London's Hyde Park.

Since the site was inaccessible, semi-derelict and separated from the downtown by over a kilometer of equally run-down space, physical revitalization was clearly necessary. It was also clear that people would only be drawn to the area if there were activities which could attract them.

From the beginning therefore there was a sense that a mandate for both physical development and programming would be necessary, and in fact programmed recreational activities on the site began in 1974, a long time before physical redevelopment occurred.

By 1978, the organizational form for achieving the government's objectives had been established - a Crown Corporation, and thinking had been crystallized in a "Development Framework" founded on consultation with the provincial, municipal and metropolitan governments and community input. This document spelled out four goals:

1. Develop Harbourfront as Toronto's central urban waterfront;

2. Preserve and develop Harbourfront as a public place;

3. Develop Harbourfront in ways that account for its special location, conditions and history; and

4. Achieve financial self-sufficiency through proper organization and management of the Harbourfront lands.

The dual role and mandate was formalized in the Management Agreement between the Minister of Public Works and the Corporation signed on June 13, 1980. Excerpts from the Management Agreement are provided in Appendix C. Under the Agreement, Harbourfront was given two roles:

(a) to develop, manage and operate the site in accordance with the Development Framework, and

(b) to initiate, conduct or sponsor cultural, recreational, scientific and educational programs which in its opinion are of advantage to the public.

The dual role and mandate of the Corporation and associated plans were endorsed by the City, Metropolitan Toronto and the Province in 1981, when the Ontario Municipal Board gave its approval to the Official Plan and Zoning Bylaw covering Harbourfront's plans.

To the present day Harbourfront continues to operate under this mandate and set of goals. The Corporation holds that the two parts of its mandate are and should be integrated and believes that the degree of revitalization that has occurred on the site could not have happened without understanding and applying the synergy that integration has generated.

The concept of integration of the two roles has been formally endorsed by the Government both in its actions since approval and acceptance of the Development Framework in 1978 and by its approval to create the "Heritage or capital fund" in 1983. This approval has been explicitly communicated to the public and other levels of government by the Corporation and various Ministers of Public Works (see Appendix C).

The Corporation believes that the synergy results from the blend of mixed land-uses (public and private) and the cultural, recreational and educational programming that is associated with the public spaces, and in certain respects is also encouraged on the ground and lower floors of private spaces, for example through a carefully planned retail mix and network.

The integration of Harbourfront's two roles is reflected in the manner in which the Corporation finances its operations. In establishing the financial self-sufficiency goal, it was recognized that income from Harbourfront's development activities would be used to subsidize cultural and recreational programming. For this purpose, two categories of development revenue have been established.

The first category consists of proceeds from the sale of land, capitalized leases and the sale of land and air rights.These proceeds are recognized in Harbourfront's financial statements but are recorded as a "restricted surplus" with the related cash deposited in a special Harbourfront account in the Consolidated Revenue Fund (CRF). Interest earned on this account is automatically credited to the Corporation without restriction on its use.

Subject to government approval, Harbourfront may withdraw principal from the CRF account for purposes consistent with the development and financial objectives of the company. Such withdrawals are used predominantly to fund capital expenditures on public infrastructure.

The second category comprises all other development revenue, including rental income and development fees. This revenue is treated as normal, unrestricted corporate income.

In addition to development revenue, Harbourfront receives a significant portion of its total revenue from site operators (mainly food concessions and parking) and from corporate sponsorship and admission charges. Some program activities also receive funds from government cultural and artistic grant programs.

The financial structure for Harbourfront is one where development activities provide funds both for capital spending on public infrastructure and to sustain the dynamic and wide-ranging cultural and recreational program that the Corporation has established. The level and nature of Harbourfront's programming activities is thus directly tied to the amount of development the Corporation is able to put in place. This relationship is illustrated conceptually in Appendix D.

The Board of Directors and staff of the Corporation strongly endorse the integrated mandate and the current goals. The Corporation has taken the same position with the policy review Working Group that it took with the Privatization Task Force; namely that the current mandate and goals should be reconfirmed, and that the Corporation should be directed to complete the physical development of the site under the existing plan, with commensurate development on the progamming side.

FEDERAL OBJECTIVES AND HARBOURFRONT'S CORPORATE GOALS

The original federal objectives for Harbourfront may be inferred from the 1972 federal announcements.

Clearly by its intervention the government was intending to bring about a form of development that would be quite different in character from that about to be developed by private sector interests for whom the recently completed Harbourcastle Hotel seemed to be the pattern.

What government spokesmen envisaged was revitalization of the site on a human scale in a form that would not be high-rise, where a range of public amenities and activities would be provided in a park-like setting which took advantage of the waterfront context.

Debate continued over the next several years among the four levels of government and the community at large to set goals for the project and develop a suitable planning framework. A consensus and a vision of Harbourfront's future slowly emerged. As additional elements were added the original concept was adjusted almost imperceptibly, and the vision became more built-up and urban in character with reduced emphasis on park and open space. It was recognized that for the vision to work Harbourfront would have to become a community, a good place in which to live and work as well as to play and visit, and that it would have to have a special atmosphere and character.

What was envisaged was a project that would achieve a world-class standard of excellence, in terms of urban design, community living and programming; a rich and diverse mix of buildings, residents, visitors and activities.

The articulation of the vision in goal statements, the Development Framework, sub-area plans, conceptual drawings and models was prosaic. More importantly Harbourfront Corporation itself began to generate an esprit de corps, and to convey a sense of leadership, of knowing where the Corporation was going and how to get there that invoked confidence and support in the community.

A series of programmatic successes for cultural and recreational activities attracted growing numbers of people to the site. The design quality of the first buildings and the emerging mix of public and private uses and amenities gave credence to the view that the Corporation was well launched on the way to achieving the vision. Harbourfront's development formula, i.e., high-quality urban design combined with imaginative, varied programming appealing to a broad range of interests, began to attract international attention.

By early 1987, almost 350,000 m^2 of space had been built or was under construction, amounting to approximately 50% of the approved density. (See Appendix E for further details.) Some 2,000 residents were already living in the community. By 1986, Harbourfront annually was staging 4,000 events and activities and attracting 3.5 million visitors.

At the end of that same year (1986/87) Harbourfront had achieved its goal of becoming self-sufficient, and was no longer dependent on the federal government for capital and operating funds. In fact the Corporation was now generating sufficient revenue to enable it not only to operate independently but to build up the "Heritage Fund". Revenues were now sufficient to allow the Corporation to cross-subsidize program activities somewhere in the range of $5 to $10 million.

Assuming no change in the approved plans, the Corporation could look forward to completion of the physical development of the site by 1992. By this point it also hoped that it would have achieved year-round, 7-days-a-week programming, attracting 10 million visitors annually to the site and its constant stream of events and activities, which would be supported by a subsidy from property development revenues and CRF interest estimated at approximately $9 to $11 million.

Again assuming no change in current plans the Corporation would then modify its role solely to that of a property management and programming agency, which conceivably could continue indefinitely.

This is in many ways a success story. Clearly, revitalization of the Harbourfront area is assured even if it is not yet completed. Given their level of success and given the federal policy framework as described above in Section 1 of this preliminary report it may be tempting for the Federal Government to conclude that its 1972 commitment to the people of Toronto essentially has been met and that it is now timely to begin to withdraw.

To assume that Harbourfront's plans will not be changed may be false. Policy considerations of all levels of government and urban planning conditions are shifting. The urban planning context is quite different today from that which existed when Harbourfront's Development Framework document was created.

In addition, public and civic concern has arisen over specific issues, most notably over the seemingly sudden appearance of high-rise, 31-storey residential blocks. Fears have been raised that the vision has been lost or compromised, and that the "ceramic curtain" will be erected, this time aided and abetted rather than blocked by the Federal and City Governments.

Other concerns include an apprehension that promised parks may not be delivered, a feeling that Harbourfront has become too pre-occupied with maximizing revenue generation, and perceptions that Corporate and Government management of the project has been ineffective in recent years at critical points in the development of the site.

Changing conditions and a sharing of the public's concern led the City to decide in February 1987 that it should conduct a Land Use review of Harbourfront. The Government of Canada decided in March to establish this policy review.

Also, the Government and Harbourfront have agreed to place a suspension on new developments pending completion of the reviews, an action with which the City is cooperating. The Minister of Public Works has written to the Mayor asking for the City's views of six projects affected by the suspension and the City is in the process of responding. The diagram in Appendix F shows the location of these projects.

The reviews and the suspension are important. They provide a breathing space and an opportunity for the people of Toronto, through their governments and through public consultations, either to confirm or to restate the vision for Harbourfront, and to do this in the context of the latest planning concepts for the whole Lakeshore, for surrounding development blocks (e.g., Toronto Harbour Commission Lands and the Railway Lands) and the central area generally.

The suspension also indicates how seriously the Government and Harbourfront are taking the reviews. The suspension has had short term financial consequences. It has resulted in losses estimated at one million dollars in the 1986/87 operating results. It

has created a high degree of uncertainty in respect of the timing and eventual receipt of critical cash proceeds anticipated for investment in the "Heritage Fund".

In holding projects in abeyance there is an attempt to balance the medium and long-term quality-of-life issues associated with Harbourfront's plans, which affect the community at large and Toronto's image in the world, against the immediate interests and needs of several developers who have invested in the proposed projects and several hundred citizens of different income levels who have made down payments and plans for proposed condominiums or cooperative housing units.

The first step in the process of confirming or adjusting Harbourfont's role and mandate therefore should be to clarify the vision that the people of Toronto have for the project.

Since the breathing space brought about by reviews and the suspension may very well be a last chance both to clarify the vision and to ensure that a proper policy and management framework is put in place sustainable until the vision is accomplished, it is also important to analyze and understand the factors that brought about the current situation.

ISSUES

There are a number of issues surrounding Harbourfront's role and mandate that are currently being analyzed by the policy review Working Group as well as by others. They will require further work in the second phase of the review, and some will also require intergovernmental discussions and public consultation. The issues are described below with a short commentary on each.

i) **Clarification of the Vision.** This is the primary issue affecting Harbourfront's role and mandate. As already discussed it is for the people of Toronto to assert what the vision for Harbourfront is, through their governments.

At the present time it is not clear whether the people of Toronto accept the existing concept for Harbourfront. There is a positive view of public programming but there does not appear to be a clear understanding of the relationship of programming with development both in terms of operational integration and financial dependancy. In terms of development, the question is whether the public believes that Harbourfront, the City and the Government breached the original development concept when they accepted high-rise development projects, or whether the public's view of what Harbourfront should become has changed in light of the latest development concepts for the surrounding blocks of land (Railway Lands, Toronto Harbour Commission Lands and the Central Business District).

ii) **Development Concept and Framework.** Land use, which is at the base of this issue, is being reviewed by the City at the present time. Associated features of land use planning and mix include urban design, density, relationships of public and private uses, infrastructure and linkages, and parks and open space.

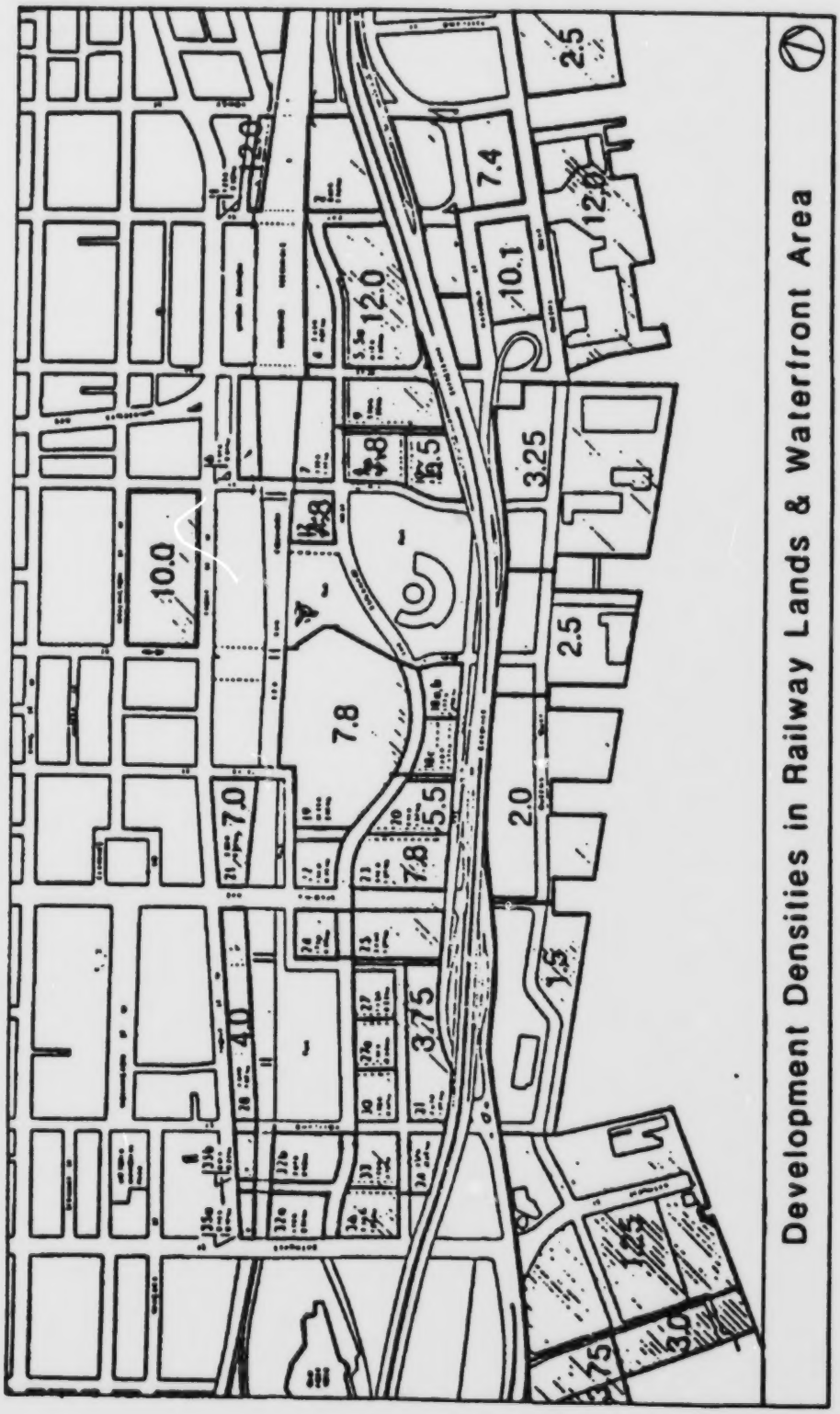
A confirmed or adjusted agreement on land use will be one way of expressing the vision.

It should be noted that Harbourfront's Development Framework was developed at a time (1978-1980) when there were no conceptual plans in existence for surrounding blocks. In the last 18 months to two years plans for these areas have advanced rapidly to the point of implementation, and are showing high density, high-rise development (offset by some parklands) that may well dwarf the highest buildings now built at Harbourfront. (The domed stadium, on the other side of the Gardiner from Harbourfront 31-storey towers, will be 35 storeys high, for example. See Appendix G.) The following "Development Densities" map indicates recently approved and existing densities for adjacent lands of between 12.0 and 3.0 times the respective areas, whereas Harbourfront densities range from a high of 3.25 to a low of 1.25 times area.

Such pressures on the surrounding lands may be factors that will encourage the City to suggest down-zoning or shifting of densities, and an increased park/open space allocation for Harbourfront.

It should be noted further that the presently approved Harbourfront Development Framework provides for fairly low density on this site for a city of Toronto's scale and size. Furthermore, it is difficult to judge what the completed Harbourfront development will look like when one looks at what is now a half-built project. It is difficult to appreciate how the various existing and planned structures will frame the public spaces, including parks, water's edge promenade, streets and waterways (slips).

Other possible impacts that down-zoning, shifting density or increased park and open space may have on the project include the possible damage to the critical residential


Development Densities in Railway Lands & Waterfront Area
10.0
7.0
4.0
7.8
15.5
3.75
12.0
10.1
7.4
3.25
2.5
2.0
1.5
3.0

masses needed to create the Harbourfront community, and to support the planned retail network (which is at a very sensitive stage of development now) and an impact on the finances of Harbourfront which will affect cultural/recreational programming and/or the Corporation's operations.

Finally, the City may suggest changes to the current Land Use and Development Framework, but these changes may not necessarily be supported by Metropolitan Toronto and the Province, who also have stakes in these discussions.

These and other factors will need to be weighed carefully before the City of Toronto concludes its Land Use review and before the City and the Federal Government accept any proposed land-use changes.

iii) **Definition of Public Space; Open Space and Parkland.** This issue is strongly related to the two previous issues, and may be the critical turning point in leading to changes in Harbourfront's plans. Harbourfront's current park and open space plans, and the relationships between parkland, open space and built space are depicted in Appendix I.

It has already been noted earlier in this preliminary report that ideas related to parks and open space have tended to fluctuate over the life of the project. The current view of the Corporation is that Harbourfront is an extension of the urban mixed use fabric of the City to the waterfront. Harbourfront seeks to create a waterfront which will be an active and lively urban area – a unique year round recreational centre. This is in contrast to the significant open space acreages available to the east, west and south (for example, the Toronto Islands) which serve the more traditional passive recreational needs of the City's public, and which largely provide enjoyment during the summer months.

The divergence of views has caused confusion in the minds of the public and disagreements between City and Harbourfront officials. In part the difficulties have been the result of different definitions of public space, open space and park (including different interpretations and values of passive versus active space, and hard space versus grass and landscaped space) used by Harbourfront and City officials.

It will be critical to use common definitions if Harbourfront, the City and the public are to achieve a common understanding.

iv) **Programming Issues.** In terms of public concerns Harbourfront's programming of cultural, recreational and educational activities has not been a major issue to date; rather the converse, in fact. The public generally likes, accepts and expects both the broad range and the mix of programming that Harbourfront is providing, and confirms this by its attendance.

An energetic, imaginative and enthusiastic Public Programming Department of some forty staff seeks out and stages events that build and expand upon four objectives which are the foundation of the programming concept:

I. To offer a wide cross-section of ever-changing activities in all aspects of arts, education, recreation and community events.

II. To showcase primarily small scale, high quality and lively cultural/ recreational activities.

III. To provide a mix of free and ticketed events year round, seven days a week.

IV. To showcase Canadian culture.

In addition to providing activities with broad populist appeal Harbourfront endeavours to provide a balance by presenting avant garde and innovative cultural activities featuring both Canadian and international talent.

The Public Programming Department provides the Corporation with a capability that is probably unmatched in Toronto and in the country in terms of its ability to organize, manage and service the four thousand events it is now presenting annually. The freedom and flexibility provided by a Crown Corporation structure (or a similar type of organization) as opposed to a regular government department is an important factor in its success, because it facilitates relationships with artists and community groups. Public Programming personnel say they are not regarded as bureaucrats and in fact assist user groups in accessing various governmental funding departments and agencies at all levels.

However, although the Corporation has ambitious aims, to provide year-round, seven-days-a-week activities and events, and to participate in the attraction of up to 10 million visitors to the site three to five years from now, there is no clear, formally approved plan to achieve this, nor is it clear that the facilities and the site can sustain this load. Parking, congestion and access are currently problems at times and construction of the LRT and additional parking, vehicular and pedestrian access points are several years away.

The reaction of the arts and cultural community to Harbourfront's programming activities is mixed. They recognize and appreciate that in some areas Harbourfront has achieved a leadership role and has placed Toronto and Canada on the world stage, for example with the International Festival of Authors.

Harbourfront's programming, its provision of services and facilities are good, they say, but with a sharper, clearer philosophy, a more professional approach, and closer, more genuine consultation with the arts community, Harbourfront could achieve those national and international standards of excellence more consistently.

For the Federal Government there is also the question of whether it is appropriate for it to continue to be directly responsible for these operations. Except for the National Capital, and for special occasions such as Canada Day and Royal visits the Federal Government is not normally responsible for such activities.

Where cultural and recreational programs have been operated in association with other federal urban development projects they have either been run by other levels of government (with federal inputs), or they have ceased once the capital installations have been completed.

For all the cavils expressed above, however, the value of Harbourfront's programming to Toronto should be fully recognized, appreciated and sustained, whether by the Government of Canada or through some other entity.

v) **The Issues of Self-Sufficiency and Integration.** In 1978 the Government of Canada, tired of providing appropriations each year for Harbourfront's cultural and recreational programs, and sensing that the Corporation was sitting on potentially valuable land in one of the most dynamic real estate markets in the country, directed that Harbourfront should develop a plan that would make it self-sufficient in operating terms within five to seven years.

The Corporation accepted this challenge willingly. Self-sufficiency was incorporated as one of the Corporation's four goals, and subsequently was pursued relentlessly, until it was at the point of achieving the goal at the end of 1986/87. Under existing plans it could be sustained easily over the next ten years.

The goal appealed to the Corporation's entrepreneurial, development-oriented instincts and supported its desire for independence from government. As the achievement of the goal approached, the revenues generated (which, by agreement with the Government were to be retained for Harbourfront's use) were then channelled to support the completion of the major capital expenditure programs and Harbourfront's expansionary program activities.

At the same time that it accepted the goal of self-sufficiency Harbourfront articulated the "principle" of integration, linking the development side and the programming side, and taking a position from then onwards that the two parts are inseparable.

Both positive and negative effects have flowed from these directions. Self-sufficiency obviously limits further federal outlays as well as stimulating the entrepreneurial and creative energies of the Corporation. Integration has had synergetic effects as each set of activities has tended to enhance the attractiveness and appeal of the other for target groups. There has also been the provision of fiscal discipline for public programming in the requirement that the Corporation must live within the corporate means.

The negative effects have been serious however; and there are critics who argue that these features make the Harbourfront Corporation a flawed model.

The drive for self-sufficiency and the desire to maintain the principle of integration placed pressures on the Corporation which may have led the organization to sacrifice quality and standards of excellence on both sides of its operation.

On the development side the perception is that Harbourfront was tempted to exploit to the full its allotted densities, and the holes in medium height zoning that the City's zoning bylaw permitted (thus leading eventually to the decision to pierce the low/medium height design concept by building the 21 and 31 storey residential blocks that now dot the skyline to the north of Queens Quay West).

In all probability it is not so much that the model of Harbourfront is flawed, but rather that the management toughness, judgement and discipline to avoid the pitfalls of the model have not always been present and/or exercised by the shareholder (the Government of Canada), by the Board of Directors and Management of the Corporation and the City of Toronto in their approval of specific developments.

Additionally, the questions of residual value of the site to the Federal Government and potential government liabilities have been raised. These will have to be addressed in the succeeding part of this policy review.

vi) **Management and Control Issues**. There are a number of management and control issues that cumulatively add up to rather serious dimensions. They include the long-term ownership and control of the site; the relationship between the shareholder and the Corporation; the relationship between the Corporation and the City; the creation of subsidiaries; potential liabilities created by sale of air rights and by joint enterprises; and the Harbourfront project development and approval process.

The Harbourfront plan envisages that the site ownership will eventually be split. In general terms parks, open space and streets will be deeded to the City. Harbourfront will retain ownership of land in which coop housing has been or will be built, and ownership of land on which condominiums have been or will be built. However, Harbourfront has sold air rights on these latter condominium parcels, and has therefore effectively alienated these sites from federal ownership (these sites are

marked on the map of Harbourfront Development parcels contained in Appendix H). The residual value of the site to the Federal Government in the long term is small, but the government is liable. Liabilities created by the Corporation are described in Appendix J which lists Harbourfront Development Agreements and Appendix K which describes Harbourfront's Subsidiaries.

The relationship between the shareholder and the Corporation is defined in Part XII (Crown Corporations) of the Financial Administration Act (FAA) and is supplemented by the Management Agreement between the Corporation and the Minister of Public Works. The FAA provides a control and accountability framework that recognizes the appropriateness of an arms-length relationship between the Government and its Crown Corporations. The chief opportunity for control lies in a requirement for annual Government approval of corporate plans and budgets which contain objectives and performance targets against which a corporation's management is held accountable.

The Management Agreement articulates Harbourfront's mandate and stipulates certain additional controls relating to such matters as contracting, revenues to be deposited in the CRF, access to the CRF account, and leases. Apart from these restrictions and the requirement to seek Treasury Board approval for land transfers, the Corporation has potentially a high degree of operational independence, limited only by the need to conduct its affairs in a manner consistent with its approved plan and budgets.

Departmental (PWC) and central agency assessment of Harbourfront's plan and budgets and other required submissions have essentially been focussed on such factors as ensuring consistency with the mandate and Management Agreement, integrity of financial plans, reasonableness of assumptions, appropriateness of proposed corporate strategy, and acceptability and legality of development agreements and corporate structures.

There is a degree of uncertainty relating to two aspects of the role played by departmental officials in dealing with Crown Corporations for which their Minister is responsible. One relates to the appointment of senior officials as directors where there is often potential for conflict of interest and lack of clarity both on the part of the officials and corporations as to the exact nature of their roles. The other aspect concerns the role played by departmental officials both in dealing with corporation submissions requiring their Minister's approval and in informing themselves of a corporation's affairs. In this regard, the role can vary from simply one of advisor to the Minister to one where the department becomes an active intermediary between the corporation and the Minister. Precision and clarity of these roles is not an issue unique to Harbourfront.

Under the terms of the Master Agreement between Harbourfront and the City, control of the built form of projects (height, density, massing, number and dimension of units, etc.) had effectively been passed to the City. It is in this area that analysis and advice provided by federal officials has perhaps been weak as the shareholder clearly remains accountable to Parliament for all the actions of the Corporation despite any delegation of decision-making responsibility to the City.

The Master Agreement between Harbourfront and the City was an attempt by Harbourfront to acknowledge and comply with the City's planning and approval process, as well as to strike an agreement with the City on the amount and type of park and open space to be provided in the project.

A special planning process was set up by the City to respond to Harbourfront's and the Federal Government's needs, known as the sub-area plan process.

Neither side has been totally happy with the way the agreement has worked. Both agree that it is clumsy, time–consuming and laborious in its application, and both would be willing to renegotiate or replace it.

For its part the City has not used the sub–area plan process again. When the next major block of land development came along, the Railway Lands development, the City adopted a substantially modified version of the sub–area plan process, called the precinct plan process, which it feels is much superior.

The project development and approval process adopted by Harbourfront emerges from the same philosophy that produced the goal of self–sufficiency. The process is illustrated in a diagram in Appendix L, as applied to a pre–sold building.

The diagram shows three streams of activity:

(a) the process of arriving at an agreement between the developer and the Corporation;

(b) the process of securing the City's approval of the project; and

(c) the process of obtaining the shareholder's and Treasury Board's approval of the project.

Harbourfront runs these three streams of activity in parallel, and claims that in so doing it can save as much as seven or eight months' time in gaining all needed approvals and agreements, and a cost saving (shared between the developer and the Corporation) of $1 million or more, depending on the size and complexity of the project.

Running the three streams in parallel also gives Harbourfront increased leverage in dealing with the three other parties.

These are nice benefits to have, but they have been obtained at the cost of blurring accountabilities between the Corporation, the City and the Federal Government (thus weakening the effectiveness of the Management and the Master Agreements), and of reducing the integrity of the overall approval process. The attenuated process may have been a factor in the approval of the notorious high–rise buildings.

The confusion caused is also illustrated by the six projects caught in the suspension of development; three approved by the City but not the Federal Government and three approved by the Federal Government but not the City.

There is scope both for tightening the federal approval process for development projects and for linking it more closely to the City process. It would be feasible to require that City Council approval of the development review be in place before considering federal approval and without reducing significantly the financial benefits that Harbourfront now derives from its parallel approach.

vii) **Harbourfront and its Relationship to Surrounding Developments and Metropolitan/ Regional Development**. The instructions given to the policy review Working Group were to assess the role and mandate of the Corporation as an entity. Harbourfront and its development, however, do not exist in isolation; they must relate to contiguous areas of the City and to the whole metropolitan area.

At the same time as the Harbourfront policy review is proceeding, a complementary report on all federal lands in Metropolitan Toronto has been prepared by Mr. Stephen McLaughlin for the President of the Treasury Board, which covers some of those broader issues.

Simultaneously, the City's Land Use Review of Harbourfront is addressing the relationships between the Harbourfront site, surrounding developments and the Metropolitan setting.

Work will continue in the second half of the Policy Review to coordinate these three sets of activity.

ALTERNATIVE APPROACHES TO HARBOURFRONT'S ROLE AND MANDATE

The confirmation or adjustment of Harbourfront's role and mandate will depend on the resolution of the issues described in the previous section.

An iterative process of analysis, inter–governmental discussions and public consultation will be necessary to resolve the issues.

Further work during the policy review will focus on a number of policy questions that are germane in addressing Harbourfront's future including:

a) **The Vision.** Is the vision as expressed by Harbourfront's current plans (an integrated corporation delivering mixed–use development which provides funding for a wide range of public programs) appropriate?

- Is it consistent with what the Toronto public appears to want now?
- If it is to be modified, which are the major criticisms to be heeded?
- What weight should be given to each of the four current goals and should any be added?

b) **Financial Structure.** Is the present financial policy (with the CRF account as an implicit trust fund) appropriate?

- Should a dividend policy be implemented?

c) **Built Form.** Should the Federal Government be involved in determining the built form of Harbourfront? and if so:

- In which broad direction?
- At what level of detail?

d) **Public Programming.** Should the Federal Government continue to deliver cultural and recreational programs at Harbourfront directly? and if so:

- For how long?
- Should there be a financial cap?

e) **Mandate.** Should the Federal Government consider radical change to Harbourfront's present role and mandate to an extent that major organizational change would be an inevitable consequence? and, if so:

- Should the change occur as fast as practical or be implemented gradually, possibly over a number of years?

Analysis of these policy issues will provide a basis for the Working Group to examine three broad organizational approaches to Harbourfront's future:

(i) The STATUS QUO, under which Harbourfront would retain the role and mandate it now has;

(ii) a SPLIT MANDATE, under which the two parts of Harbourfront's mandate (a) physical development and (b) programming would be separated; or

(iii) the ELIMINATION of federal involvement in Harbourfront, either by transferring Harbourfront to another level of government, or by winding down the Corporation.

There are a range of options possible in each of these broad approaches. As well, the timing and phasing of any change is a critical factor. Each, including the STATUS QUO alternative, can provide for change.

For example, under the STATUS QUO approach, Harbourfront would keep its current role and mandate but could adjust its development in response to a City–Federal agreement to adjust land uses by a modest margin. At the same time modifications could be made to the Management and Master Agreements, etc., to resolve some of the other issues that have been identified.

Some of the possible implications of changing land use (particularly by down–zoning) on Harbourfront's finances and on Harbourfront's programming have been explored in a preliminary way, and are described below. Depending on how far the City and the Federal Government may wish to go, the effects on Harbourfront would range from tolerable to severe.

Harbourfront's ten–year projections show that, if it is permitted to complete development according to its present plans, it will maintain self–sufficiency. Over the next ten years the Corporation estimates that it will have realized a cumulative net profit of $30M and will have accumulated cash reserves of $10M if no dividends are paid out. The balance in Harbourfront's CRF account (in addition to cash reserves) will be $26M by 1997. (See Appendix M for ten–year financial projections in accordance with different development scenarios.)

Although Harbourfront is self–sufficient as an integrated operation, its cultural and recreational activities are subsidized by income earned through development and interest paid on the CRF account. Depending on the manner in which expenses (including capital) and revenues are allocated, the cross–subsidy for the current year is in the range $5M to $10M and is forecast to rise to between $9M and $11M by 1997. In the event that additional limitations are placed on remaining commercial development, Harbourfront's development income would be reduced. At some point, this loss of income would impair Harbourfront's ability to deliver planned levels of cultural and recreational programming and to maintain related facilities.

A 10% reduction in density affecting the tail end of development would produce a ten–year cumulative net loss of $11M (a reduction from the completion scenario of $43M). Accumulated cash reserves would be depleted, resulting in a 1997 cash deficit of $8M. The CRF account balance in 1997 would be $10M (a reduction of $16M). The end–of–period forecasts indicate that Harbourfront would remain in a deficit position (annual losses of about $2M and cash deficits of about $1M). Given the uncertainty in forecasting ten years into the future, it is reasonable to assume that measures could be taken to eliminate deficits of this magnitude.

In effect, the cash price tag of 10% down–zoning is $18M. If Harbourfront were to continue as an integrated operation under this scenario, there would be a net cash financing requirement which would peak at $10M. Three optional courses of action could be taken to deal with the financing need:

a) one or more levels of government could provide the cash; or

b) the CRF account could advance funds; or

c) Harbourfront could reduce its cultural and recreational obligations and operations.

Examples of action that the Corporation might consider are to spin off either or both of the Art Gallery and the School by the Waterfront as independent organizations. Both

organizations currently receive direct and indirect subsidies from Harbourfront annually of about $0.7M for the Gallery and $0.2M for the School. These funding requirements would have to be met from other sources. Alternatively, York Quay Centre operations could either be eliminated or severely curtailed. This operation accounts for the majority of direct subsidy to the multi-cultural community and recreational groups where there is minimal cost recovery. Net operating costs for this facility approximate $1M annually with additional indirect subsidies exceeding $2M annually.

Taking the view that down-zoning would be a Federal response to a City desire suggests that the City should share in bearing the financial impact. Harbourfront is planning capital expenditures totalling $55M over the next ten years. Within that total there is scope both for having the City bear the cost of specific projects and for limiting the extent of what, presently, is Harbourfront's somewhat open-ended funding obligation for others. Additional scope exists for increasing the City's obligation to share operating and maintenance costs for public infrastructure (about $0.7M annually).

Two further down-zoning scenarios have been given preliminary examination – a 20% density reduction and no further development. The financial consequences of these are summarized in Appendix M. In both cases, the severity of the financial impact is such that radical restructuring rather than marginal adjustment would be called for. In the case of no further development, it is unlikely that continuing Harbourfront in its present form would be tenable.

(ii) Again to illustrate the possible implications of the SPLIT approach some possible options are shown below.

If Harbourfront's development and programming activities were to be split and allocated to two separate organizations, the organization responsible for cultural and recreational activities would require annual subsidies in the range of $5M to $10M if the present level of programming were to be maintained. If Harbourfront Corporation were to be retained solely to deliver cultural and recreational programming, various funding means could be considered:

a) The subsidy could be provided by one or more levels of government.

b) The "Development" corporation would be required to pay an annual subsidy to the "Cultural" corporation. This could be in the form of a flat levy or through some form of participation in the "Development" corporation's financial performance.

c) If the "Development" corporation were to be sold, some or all of the net proceeds could be used to establish a trust fund. Income from the trust would then be used to finance the "Cultural" corporation's capital expenditures and operating deficit. (A preliminary estimate made for the Privatization Study indicated that the net proceeds from the sale of income producing development and sites would exceed $100M.)

(iii) The third approach, ELIMINATION, would be dependent on the Government having concluded that essentially in having carried Harbourfront to this stage of its development (both physically and programmatically) the Government had met its commitments to the people of Toronto and could now withdraw.

NEXT STEPS

There are a number of other initiatives underway but not yet complete that bear on the information and findings presented in this Preliminary Report. These include:

- the City Land Use Review (expected in the late summer);
- the Harbourfront Review Committee (City Aldermen and local representatives) which is holding a series of public meetings and will then report to the City;
- Harbourfront Corporation "Forum" meetings; a series of publicly–open panel discussions on Harbourfront issues;
- Mr. McLaughlin's report on the Toronto Area Strategy Study;
- Possible requests to lift the suspension on further development;
- Harbourfront Corporation's own development review.

The results of each of these initiatives will need to be taken into account in considering Harbourfront's future. Consultations with the City, Metropolitan Toronto and the Province will continue during the second half of the Policy Review. It is proposed that a final report will be submitted to the Minister of Public Works in September 1987 as required by the terms of reference.

APPENDIX A

PUBLIC WORKS CANADA

TORONTO HARBOURFRONT CORPORATION POLICY REVIEW

TERMS OF REFERENCE

1. A working group be established under the general direction of the Deputy Minister of Public Works to develop recommendations and to examine:

   - the need for a more explicit mandate statement from the shareholder;
   - the ability of Harbourfront to continue delivering a program of subsidized cultural and recreational activities without risk to the corporation's goal of financial self-sufficiency;
   - criteria which would govern the scope and level of cultural and recreational programming;
   - alternative organizational forms for and ownership of Harbourfront;
   - modification of Harbourfront's mandate and/or general direction to ensure consistency with relevant Toronto Strategy Study recommendations;
   - the need for revisions to the Management Agreement:
   - in consultation with the City of Toronto, the need for revisions to the Master Agreement;
   - the project development and approval process;
   - the urban and government planning framework for Harbourfront, and
   - the application of a suspension on new developments at Harbourfront pending completion of the policy review.

2. The working group be chaired by the Director General of Corporate Affairs, PWC, with membership from the following organizations: Crown Corporations Directorate; Bureau of Real Property Management; privatization Secretariat, and Harbourfront Corporation.

3. The Chairman of the Working Group shall consult with officials of the Province of Ontario, Metropolitan Toronto, and the City of Toronto as necessary.

4. The policy review shall be completed by September 1987. An initial report shall be submitted to the Minister of Public Works in late June 1987.

APPENDIX B

MAJOR FEDERAL URBAN REDEVELOPMENT SCHEMES
(Preliminary Estimates Only)

Cities	General Characteristics	Federal Sponsor(s)	Mechanism Used and Organizational Format	Invested Total ($ millions) (Public and Private Sector)	Investment Shares	Current Status
HALIFAX - DARTMOUTH WATERFRONT REDEVELOPMENT	Commercial, Recreational, and Institutional 20 Acres of PWC and Expropriated land Year Initiated: 1976 Year Completed: 1982	Main: DRIE Secondary: PWC/CMHC	General Development Agreement Canada/N.S. Sub-Agreement Halifax-Dartmouth Provincial Crown Corporation	$40 (estimated) in Capital grants and contributions to the Corporation. $100M (estimated) Private Sector Investment	Federal: 80% Province/City: 20% Private: lessee	Waterfront Development Corporation still manages. No subsidies. Completed: ongoing operation No further federal involvement.
SAINT JOHN, N.B. MARKET SQUARE	Commercial, Recreational, Institutional, and Housing 15 acres of CHMC, City and NHB Land Year Initiated: 1978 Year Completed: 1985	Main: DRIE/MSUA Secondary: CHMC, Fisheries, PWC	General Development Agreement Sub-agreement: Saint John Provincial Crown Corporation	$116	Federal: 30% Province: 35% Private: 35%	Rocca Groupo Market Development Ltd. presently into receivership Nova Scotia BK taking over. No further federal involvement.
CHARLOTTETOWN, PEI	Commercial, Housing, and Institutional	Main: DRIE Secondary: CMHC	Comprehensive Development Agreement	$ 30	Federal: 15% Province: 5% Private: 80%	Charlottetown Area Development Corporation owned by: PEI 75%, City 15%, C.A. Reg. Planning Board 10% No further federal involvement.

MAJOR FEDERAL URBAN REDEVELOPMENT SCHEMES

(Preliminary Estimates Only)

Cities	General Characteristics	Federal Sponsor(s)	Mechanism Used and Organizational Format	Invested Total ($ millions) (Public and Private Sector)	Investment Shares	Current Status
QUEBEC CITY LE VIEUX PORT	Commerical, Recreational, Residential, and institutional 88 acres PWC Land Year initiated: 1981	Main: PWC Secondary: Parks Canada, Communications	Crown Corporation Canada Lands Subsidiary	$240 estimate	Federal: 45% Province/City: 1% Private: 54%	Still under development. Crown Corporation may divest. PWC subsidises operating costs.
MONTRÉAL LE VIEUX PORT	Commercial, Recreational, Residential, and institutional 75 acres PWC Land Year initiated: 1981	Main: PWC Secondary: DRIE, Communications	Crown Corporation, Canada Lands Subsidiary	Spent to date: $88 Proposal for future: $540	Federal: 100% Province/City: 0% Private: 0%	Still under development. PWC subsidises operating costs.
OTTAWA RIDEAU CENTRE	Commercial and institutional 8.5 acres Land: NCC-PWC Expropriated Year initiated: 1979	Main: NCC/PWC Secondary: Parks Canada	Tripartite agreement NCC/City/RMOC	$250+	Federal: 5% City/RMOC: 10% Private: 85%	VIKING RIDEAU CORPORATION Still in business. No subsidises. Lease-purchase 51 years. Government gets yearly return revenues
TORONTO HARBOURFRONT	Commercial, Recreational, Residential and institutional 90 acres Land: expropriated Year initiated: 1981	Main: PWC Secondary: None	Harbourfront Corporation PWC Grants	$500+	Federal: 30% Province/City: 1% Private: 70%	Harbourfront Development Corporation Still under development. PWC subsidies $10 M/ 6 years. Breakeven expected in 1987.

MAJOR FEDERAL URBAN REDEVELOPMENT SCHEMES
(Preliminary Estimates Only)

Cities	General Characteristics	Federal Sponsor(s)	Mechanism Used and Organizational Format	Invested Total ($ millions) (Public and Private Sector)	Investment Shares	Current Status
WINNIPEG NORTH PORTAGE	Commercial, Residential, Recreational, and Heritage 90 acres CN Land swap Federal land transfer Year initiated: 1981	Main: DRIE Secondary: None	General Development Agreement Winnipeg Core Area Agreement	$ 76 (Government only) ($130 estimated from private sector)	Federal: 33% Province: 33% City: 33%	North Portage Tri-level Corporation Still under development.
CORE 2 (East yards)	Commercial, Residential, and Recreational 15 acres CN land transfer Year initiated: 1986	Main: DRIE Secondary: None	New ERDA	$100	Federal: 33% Province: 33% City: 33%	Public consultation process going on.
VANCOUVER GRANVILLE ISLAND	Commercial, Institutional, and Cultural 35 acres Land transfer (sales) Year initiated: 1973	Main: CMHC/MSUA Secondary: None	No special agreement TB special appropriation	$ 50	Federal: 50% City/Province: 0% Private: 50%	Granville Island Trust (steering committee) administered by CMHC. Generating own revenues. No subsidises.

APPENDIX C

EXCERPTS FROM THE

AGREEMENT made as of June 13, 1980 (amended April 24, 1981, May 17, 1982, and March 15, 1984)

BETWEEN: HER MAJESTY THE QUEEN in right of Canada (hereinafter called "Her Majesty"), as represented by the Minister of Public Works (hereinafter called the "Minister").

OF THE FIRST PART

AND: HARBOURFRONT CORPORATION, a company duly incorporated under the laws of the Province of Ontario and continued under the laws of Canada (hereinafter called the "Corporation"),

OF THE SECOND PART

WHEREAS Her Majesty is the registered owner of the lands and buildings described in Annex "A" attached hereto which hereinafter are referred to as the "premises";

AND WHEREAS Her Majesty desires that the premises shall be revitalized, developed and used for the benefit of the public;

AND WHEREAS Her Majesty is desirous of having the Corporation develop, operate and manage the premises, and the Corporation has agreed to carry out the said functions on the terms and conditions expressed herein;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises and mutual covenants herein contained, the parties hereto agree as follows.

2) The Corporation shall during the term of this Agreement operate, manage, maintain and develop the premises on behalf of Her Majesty, upon the terms and conditions hereinafter set forth.

4) The Corporation covenants and agrees:

(a) to develop the premises, as if it were the owner thereof, in accordance with a document drawn up by the Harbourfront Corporation entitled "Development Framework" and dated October 1978 attached as Annex "B", and in accordance with such further directions for the operation or development of the premises as the Minister may issue from time to time to the Corporation;

(b) to manage and operate, subject to subparagraph 4(g), the premises in all respects, as if it were the owner thereof; including the leasing of space to tenants and the collection of rentals, general maintenance and repairs, interior and exterior cleaning, heating, air conditioning, plumbing, electrical work, carpentry, decorating and other incidental alterations or changes;

(c) to cause all such acts and things to be done in or about the premises as shall be necessary or desirable to comply with the requirements of any municipal, provincial or federal authority having jurisdiction therein;

(d) to initiate, conduct or sponsor on the premises, except those parts thereof used for commercial or residential purposes, such cultural, recreational, scientific and educational programs which in its opinion, are of advantage to the public;

INTEGRATION AND SELF-SUFFICIENCY
DOCUMENTATION

In order to assess the intent of the Government's endorsation of the concepts of integration of the two roles of Harbourfront and self-sufficiency, four pieces of written documentation are reviewed.

(1) Harbourfront Development Framework, 1978

This document in discussing its fourth goal of "financial self-sufficiency" articulated the use of development funds to finance the operations of Harbourfront, its activities, grounds and public buildings as follows:

> In order to provide for permanent public enjoyment of the Harbourfront lands, ways must be found of financing the operation of Harbourfront, its activities, grounds and public buildings.
>
> Tne great resource for Harbourfront is the large assembly of land which should be made to work for continuing public benefit. Today, Harbourfront receives a large, yearly operating grant from the Federal Government. Even if all existing buildings were fully leased at market rents the annual deficit would continue to be considerable.
>
> Clearly, if a sound financial base is to be secured, new investment must take place on Harbourfront lands; investment which brings the operations of the Corporation to the breakeven point. Each year this goal is not achieved further deficits are incurred.
>
> Thus, it is important to take steps and make decisions to ensure self-sufficiency within the foreseeable future. The goal is to generate enough additional revenue from the lands to achieve a breakeven point within five to seven years.

(2) 1980 Annual Report message from the Minister of Public Works

The Minister, on behalf of the government reaffirmed the foregoing interdependence in his message as follows:

> "The Federal Government formal approval of "framework", a plan for Harbourfront's future development, has assured financing for the necessary public services required to attract private investment in Harbourfront's exciting future".

"My Ministry and I look forward to the implementation of the framework" plan to achieve an accessible, attractive and financially self-sufficient urban park in the Metropolitan Toronto core."

(3) May 1981 Letter from the Minister of Public Works to the Chairman of Metropolitan Toronto economic development and planning committee.

In soliciting Metro Toronto's approval of the City of Toronto's official plan and zoning by-laws respecting Harbourfront, the Minister of Public Works stated quite clearly the relationship between development income and its use in the cultural, recreational and public activities of Harbourfront!

Mr. Milton Berger

... I wish to draw your Committee's attention to two points, among many, which should be taken into account in consideration of matter.

1. Harbourfront is being planned as a primarily low-rise, attractive, waterfront precinct, providing more than 40 acres of usable open space and a range of recreational and cultural use. The office and residential component will provide a unique waterfront market for improved transportation links and retail services uses. This will be of great assistance to the overall development of Metro Toronto and particularly to the Railway Lands north of the Gardiner Expressway.

2. The public activities component of Harbourfront cannot be separated from the development objectives. That is, it is fundamental to the survival of the cultural/recreational uses that additional revenues be forthcoming to Harbourfront. The scale of development called for in the Plan will eventually generate over $5 million annually for Harbourfront's operations when direct Federal assistance to Harbourfront Corporations comes to an end in 1987. Those who would argue that they support the public activities but not the sale of development do not have a practical point of view respecting ongoing operations and costs to the taxpayers. From a practical point of view, it must be emphasized that the scale of development being proposed is the minimum required to support the public activities at no ongoing cost to the taxpayer.

I would urge your Committee to deal with this matter in a positive manner and help us get on with the task of rejuvenating Toronto's waterfront in accordance with the exciting Plan before you.

Yours sincerely,

Paul Cosgrove

(4) August 1983 letter form the Minister of Public Works to the Mayor of Toronto (see copy)

This letter confirms the concept of a "capital fund from proceeds of land sales for condominium purposes. The income earned by the fund, similar to income generated from land leases, will be employed by Harbourfront to help defray its operating costs".

Liz.
F.Y.I.

GENERAL MANAGER
AUG 12 1983

Ottawa, Ontario
K1A 0H2
- 4 AUG 1983

DIRECTOR
AUG 15 1983
PROPERTY & ADMINISTRATION

Our File
6020-T1/6
TD 1450

Tom
File

His Worship
Mayor Arthur Eggleton
City of Toronto
2nd floor
City Hall
Toronto, Ontario
M5H 2N2

Dear Mayor Eggleton:

I am pleased to inform you that Cabinet recently approved the concept of a capital fund to be established from the proceeds of land sales for condominium purposes at Harbourfront. The income from interest earned by the fund, similar to income generated from land leases, will be employed by Harbourfront to help defray its operating costs.

Thank you for your interest in this matter and your continuing support for Harbourfront.

HARBOURFRONT
AUG 19 1983
PROPERTY DEPT.

Yours truly,

Original Signed by
Original signé par
ROMEO LEBLANC

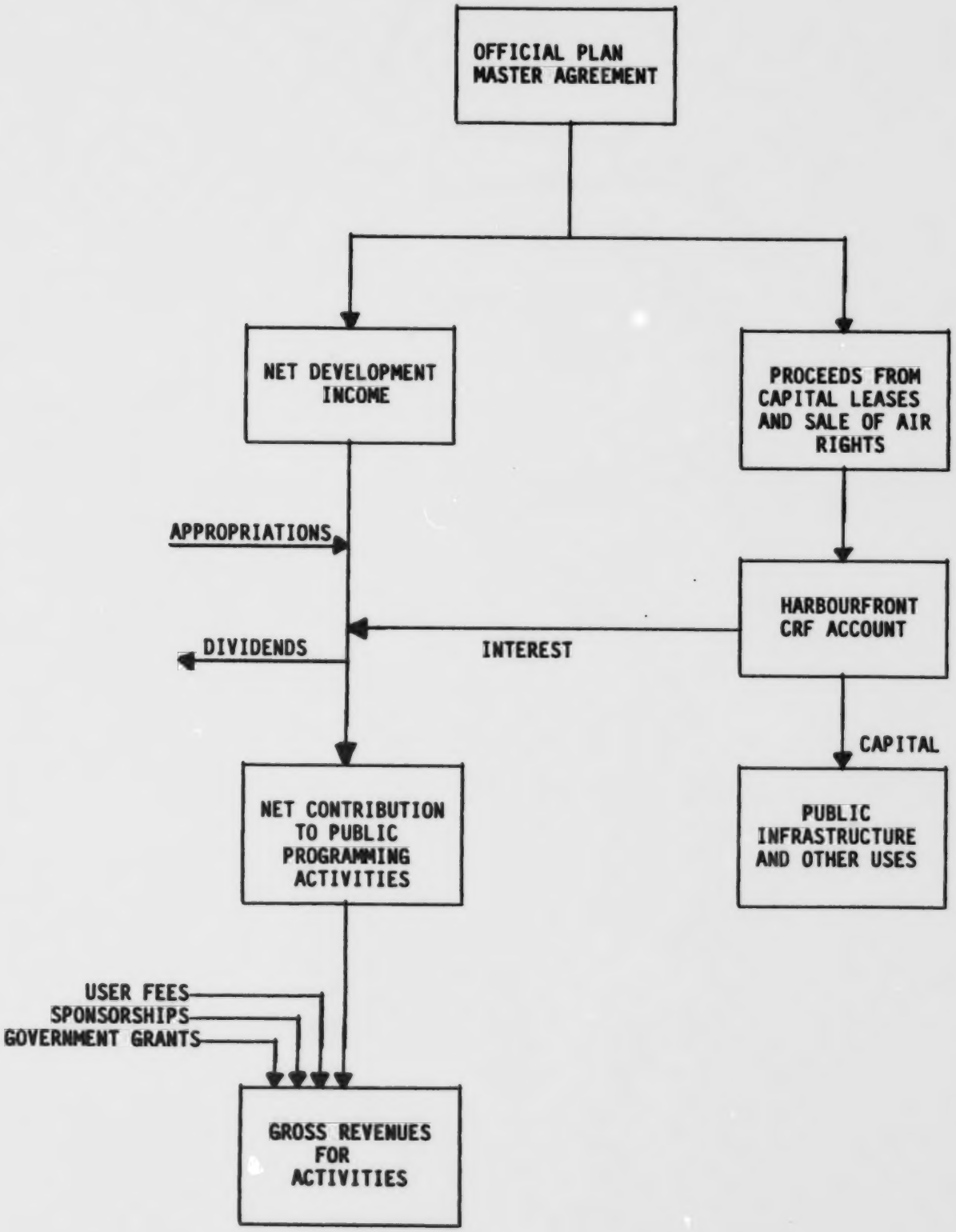
Roméo LeBlanc

c.c.: Minister's File (2)
Deputy Minister
ADM, Realty
Executive Secretary
Executive Correspondence
J. Roy/DG/RES/HQ
E.D. Manchul/DG/Ontario Region

H.E. Cohen/Harbourfront

APPENDIX D

HARBOURFRONT FINANCIAL STRUCTURE
CONCEPTUAL MODEL



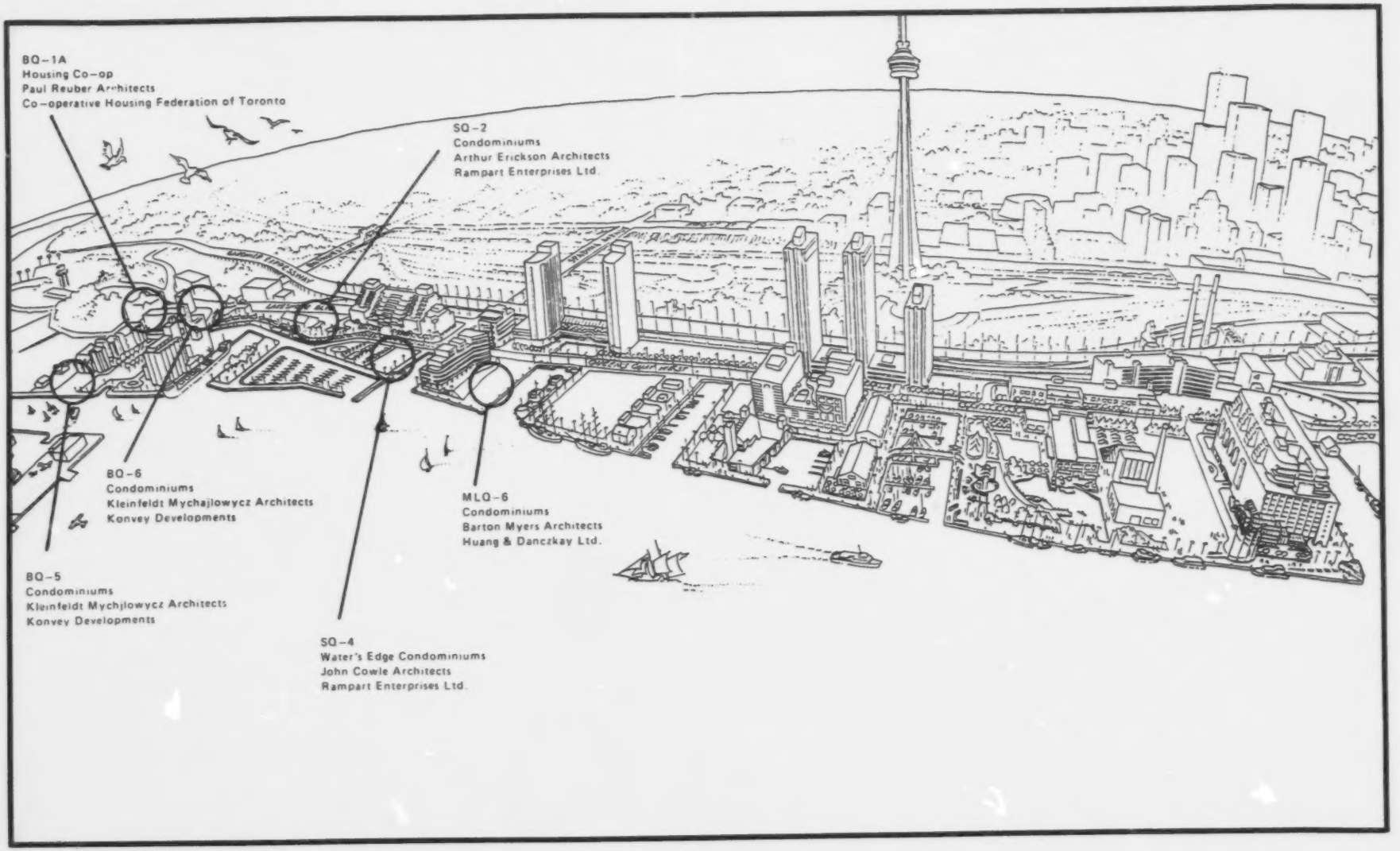
APPENDIX E

HARBOURFRONT DEVELOPMENT PLAN: APPROVED AND COMMITTED DENSITY

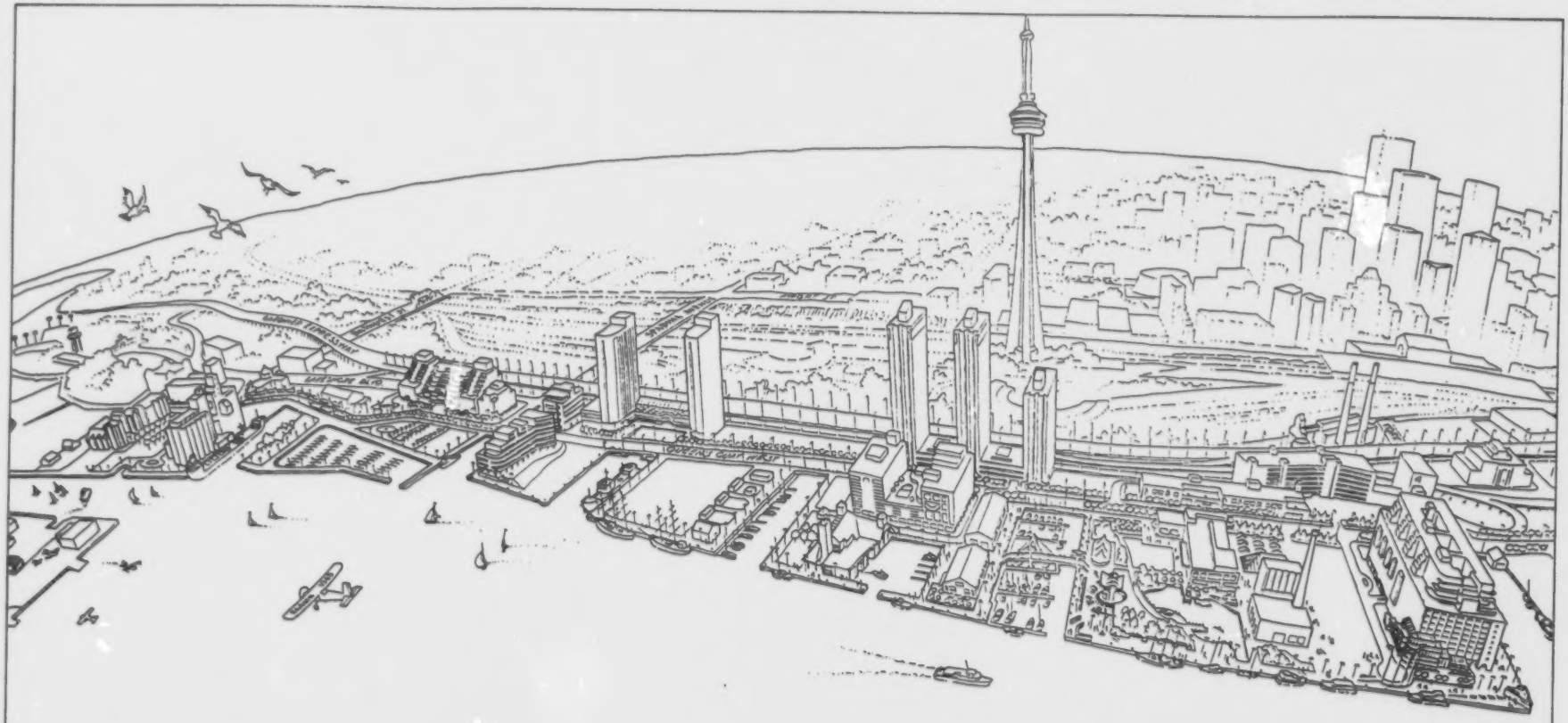
GROSS FLOOR AREAS (m2) (GFA)								
Summary	Housing	Non-Residential Density			Total Non Res.	Total GFA	Bonus GFA	Total GFA Incl. Bonus
		Retail	Office	Special				
Existing/Under Construction	217,000 (52%)	34,000	45,000	53,000	132,000 (48%)	349,000 (50%)	11,000	360,000
Committed	100,000 (24%)	9,000	0	0	9,000 (3%)	109,000 (16%)	500	109,500
Proposed (87-92)	80,000 (19%)	11,000	30,000	16,000	57,000 (21%)	137,000 (20%)	500	137,500
Post 1992	20,000 (0.5%)	11,000	56,000	10,000	77,000 (28%)	97,000 (14%)	0	97,000
TOTAL	417,000 (100%)	65,000	131,000	79,000	275,000 (100%)	692,000 (100%)	12,000	704,000

APPENDIX F

PROJECTS AFFECTED BY THE FEDERAL FREEZE MAY, 1987

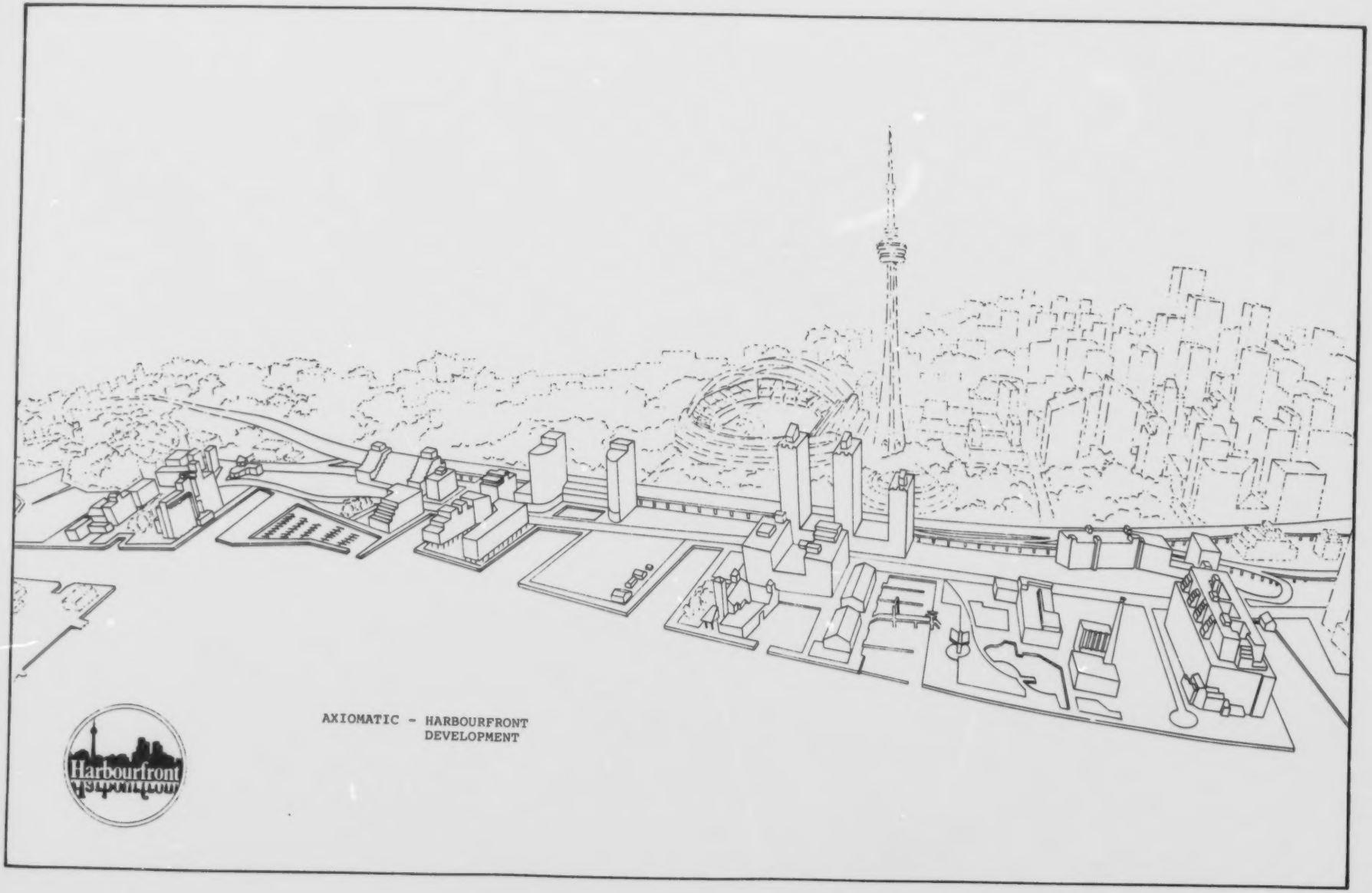


APPENDIX G



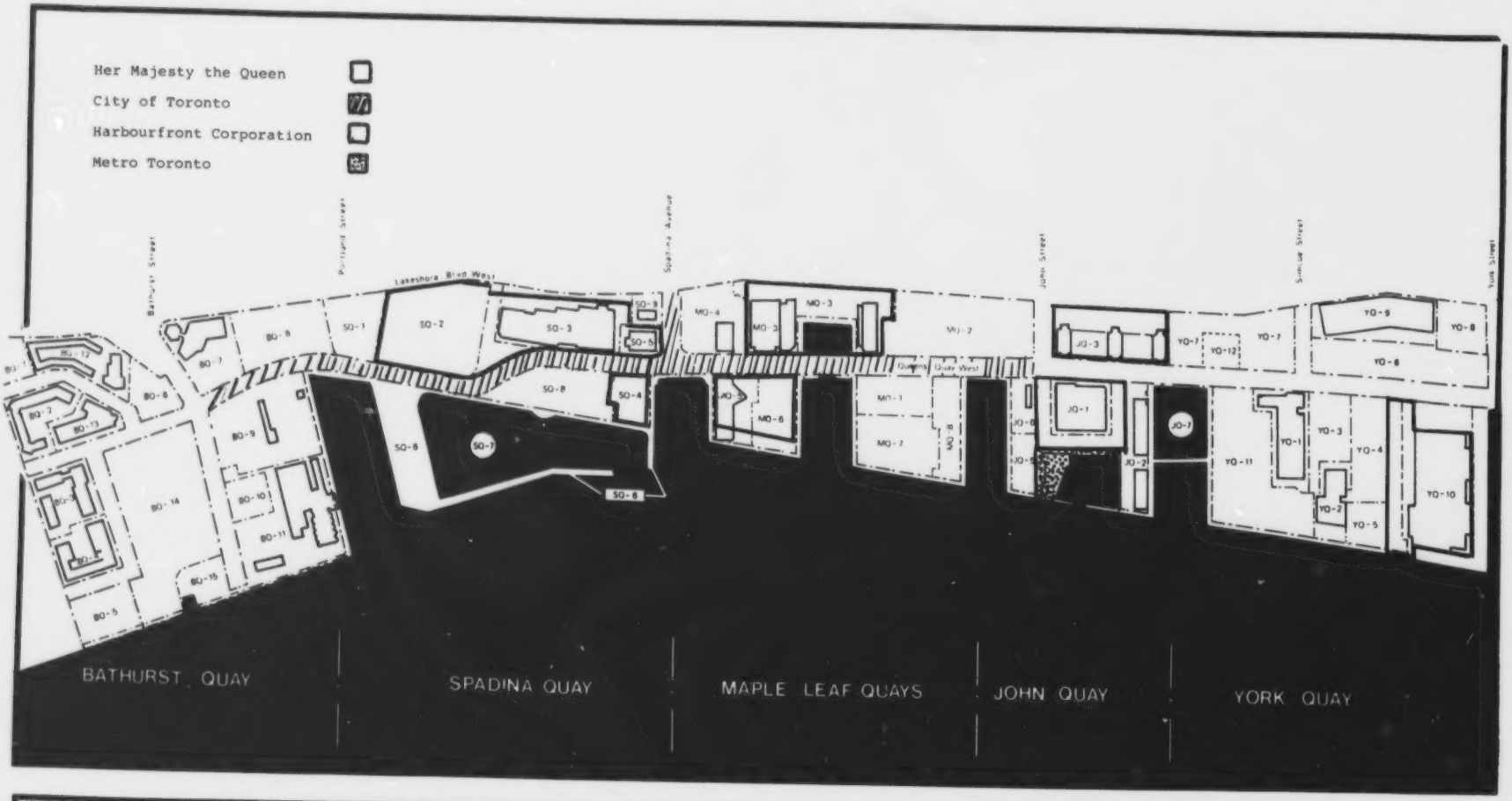
AXIOMATIC - HARBOURFRONT

DEVELOPMENT



AXIOMATIC - HARBOURFRONT
DEVELOPMENT

APPENDIX H

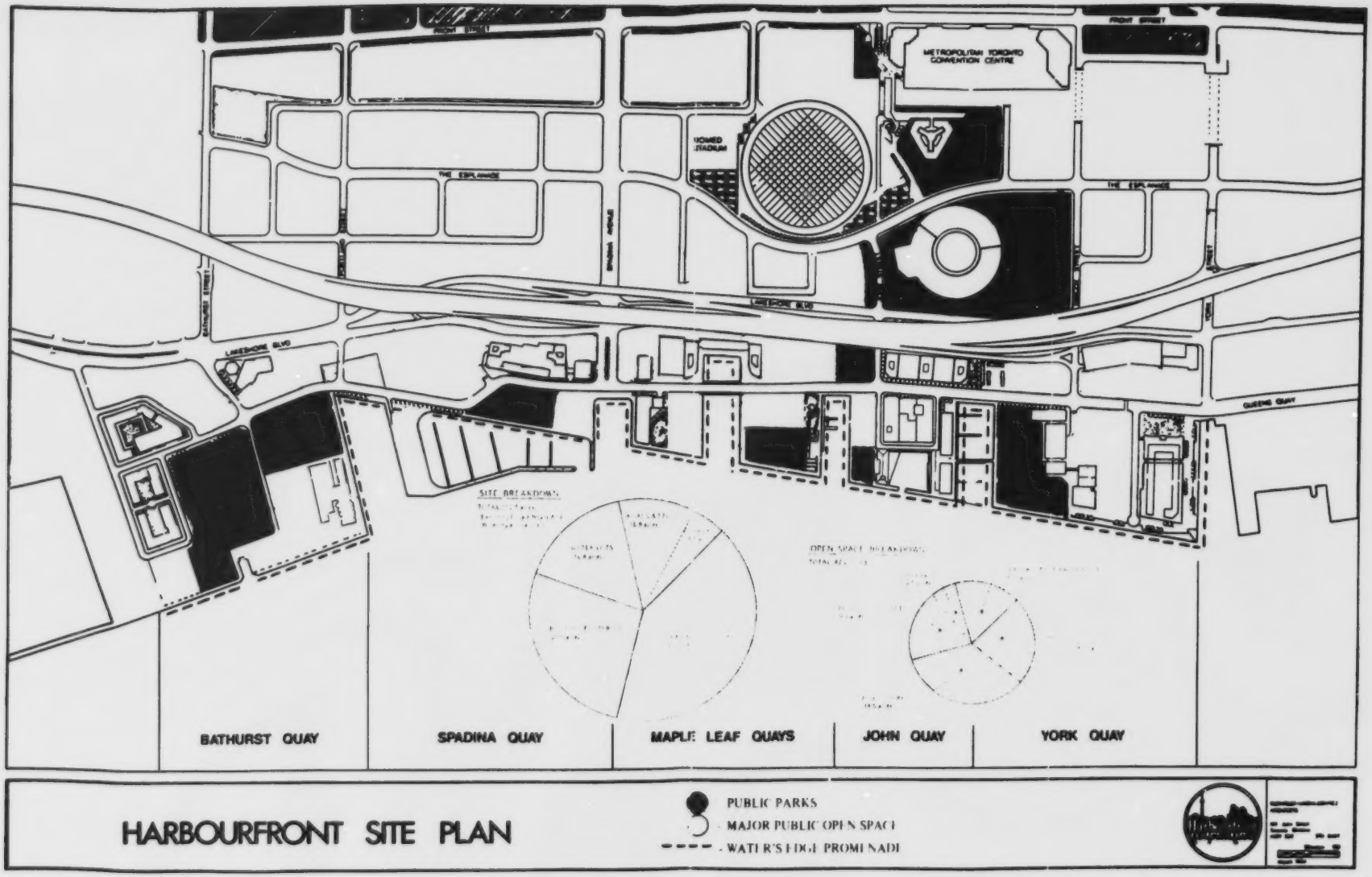


HARBOURFRONT DEVELOPMENT PARCELS

NOTE NOT TO SCALE

JANUARY 30 1987

APPENDIX I



HARBOURFRONT SITE PLAN

- PUBLIC PARKS
- MAJOR PUBLIC OPEN SPACE
- WATER'S EDGE PROMENADE

APPENDIX J

LIST OF HARBOURFRONT DEVELOPMENT AGREEMENTS

CONTENTS

SECTION 1

1) Queen's Quay Terminal (Olympia & York)

2) Kings Landing (Harbour Quay - Rampart)

3) Harbour Terrace (VKS)

4) Hotel Admiral, Admiralty Point Condominiums (Whaler's Group)

5) Harbourpoint (Huang & Danczkay)

6) Peter Street Basin Rental Project (Huang & Danczkay)

7) Bathurst Quay Place (Konvey)

8) City Suites (Huang & Danczkay)

SECTION 2

Bathurst Quay

Parcel 1B - City Home

Parcel 2A - Harbourside Co-op

Parcel 2B - Arcadia Co-op

Parcel 3 - Cityhome*

Parcel 4 - Windward Co-op

Parcel 1A - Inner City Non-Profit Development Inc. **

* Pending execution
** Pending Treasury Board Approval and execution

SECTION 1

AGREEMENTS:

Letter of Intent
Purchase and Development Agreement
Lease - 99 years

DESCRIPTION:

1) Land conveyed to Harbourfront Corporation from Public Works on approval of Governor-in-Council.

2) Existing building renovated adding 4 stories of condominiums to 8 stories of retail/office

OBLIGATIONS:

1) During Term:

a) In general: Quiet Enjoyment

b) To condominiums: i) Air Rights
ii) Rights of Support
iii) Rights of Access and Egress

2) Reciprocal Agreement which survives "term" provides for maintenance of Retail/Office portion in a manner which allows for support to Condominiums.

Reciprocal Agreement is amongst:

1) Condominium Corporation
2) Retail/Office
3) Harbourfront Corporation as owner of the Theatre space in the building

3) At End of Term:

Retail/Office reverts to Harbourfront Corporation. Obligations to maintain Retail/Office so as to allow for support of condominiums. Harbourfront has the right to either operate retail/office

or sell to private sector

or convey land and buildings to Condominium Corporation in lieu of maintaining building.

Condominiums have easement rights to 3rd level of building for parking.

2) KINGS LANDING (HARBOUR QUAY - RAMPART)

AGREEMENTS:

Letter of Intent
Purchase and Development Agreement
Initial Lease
Lease - 60 years
First Amendment Purchase and Development Agreement
Second Amendment Purchase and Development Agreement

DESCRIPTION:

1) Land conveyed to Harbourfront Corporation from Public Works on approval of Governor-in-Council.

2) Four parcels

A Retail type complex including renovation of existing "Produce building"

B Condominium with retail and Harbourfront owned space

C Office Building

D Condominium with retail

OBLIGATIONS:

1) See Comments under Queens Quay Terminal "(1) During Term"

2) End of Term

A Totally reverts to Harbourfront Corporation

B See Comments under Queens Quay Terminal "(3) End of Term"

C Totally reverts to Harbourfront Corporation

D See Comments under Queens Quay Terminal "(3) End of Term."

3) Registration has not occurred, therefore no reciprocal agreement in place as yet.

3) HARBOUR TERRACE (VKS)

AGREEMENTS:

Letter of Intent
Purchase and Development Agreement
Initial Lease
Lease - 60 years
Amendment to Purchase and Development Agreement

DESCRIPTION:

1) Land conveyed to Harbourfront Corporation from Public Works on approval of Governor-in-Council.

2) Condominium with retail at grade.

OBLIGATIONS:

1) See Comments under Queens Quay Terminal "(1) During Term"

2) See Comments under Queens Quay Terminal "(3) End of Term"

3) Registration has not occured, therefore no reciprocal agreement in place yet.

AGREEMENTS:

Letter of Intent
Purchase and Development Agreement
Initial Lease
Lease - 60 years

DESCRIPTION:

1) Land conveyed to Harbourfront Corporation from Public Works on approval of Governor-in-Council.

2) Condominium, Hotel, Retail and Parking Complex

OBLIGATIONS:

1) See Comments under Queens Quay Terminal "(1) During Term"

2) See Comments under Queens Quay Terminal "(3) End of Term"

The Hotel, Retail and Parking revert to Harbourfront Corporation. The Condominium retains rights to 62 parking spaces but Harbourfront Corporation has designation rights over these spaces.

AGREEMENTS:

Shareholders Agreement
Purchase and Development Agreement
Initial Agreement
Development Management Agreement
Turnkey Construction Agreement
Lease Harbourpoint I - 62 years
Lease Harbourpoint II - 62 years
Lease Harbourpoint III - 62 years
Reorganization of Harbourpoint Project

DESCRIPTION:

1) Land conveyed to Harbourfront Corporation from Public Works on approval of Governor-in-Council.

2) Three Condominium buildings containing residential units parking and retail at grade.

OBLIGATIONS:

1) See Comments under Queens Quay Terminal "(1) During Term"

2) See Comments under Queens Quay Terminal "(3) End of Term"

3) Because structural supports on this project are segregated there is an option at end of term to convey A) Structural supports only, thus retaining the retail

or

B) Parking, Retail and Land (in lieu of maintenance)

4) Final registration of all phases has not yet occurred, thus no reciprocal agreement is in place yet.

6) PETER ST. BASIN RENTAL PROJECT (HUANG & DANCZKAY)

AGREEMENTS: Agreement to lease - 60 years
Rental Housing Agreement

DESCRIPTION:

1) Land conveyed to subsidiary corporation - Peter St. Basin Properties Inc.

2) A complex containing two residential rental buildings, parking and retail including Antique Market.

OBLIGATIONS:

1) See comments under Queens Quay Terminal "(1) During Term"

2) No other obligations are apparent. This is a land lease for 60 years and at the end of the lease, the entire complex reverts to Harbourfront.

AGREEMENTS:

Letter of Intent
Purchaser and Development Agreement - 60 years
Shareholders Agreement
Turnkey Construction Agreement
Development Management Agreement
Option Agreement

DESCRIPTION:

1) Project has not yet received Governor-in-Council. approval and therefore land has not yet been conveyed to Harbourfront Corporation.

2) Two condominium buildings:

A Bathurst & Queens Quay West - Condominium with retail and parking components plus a day-care centre. (title to day-care remains with Harbourfront Corporation)

B Stadium Road at the water - Condominium including parking

OBLIGATIONS:

1) Should this contract receive final approval, the obligations would be similar to those indicated under Queens Quay Terminal

AGREEMENTS: Purchase and Development Agreement
Lease 60 years

DESCRIPTION:

1) Land conveyed to Harbourfront Corporation from Public Works on approval of Governor-in-Council.

2) Condominiums, parking and retail at grade. This is a land lease prepaid for 60 years and gives the developer the right to create a Condominium corporation.

OBLIGATIONS:

1) See Comments under Queens Quay Terminal "(1) During Term"

2) See Comments under Queens Quay Terminal "(3) End of Term". Parking does not get conveyed to the condominium corporation.

SECTION 2

AGREEMENTS BETWEEN HER MAJESTY IN RIGHT OF CANADA AND DEVELOPERS
RE: ASSISTED HOUSING PROJECTS

All of these Agreements are 60 year leases between Her Majesty the Queen and the Developers. At the end of the leases, all projects revert totally to the Crown.

BATHURST QUAY

Parcel 1B - Cityhome	Agreement to Lease Lease Assignment Agreement Assisted Housing Agreement
Parcel 2A - Harbourside Co-op	Agreement to Lease Lease Assisted Housing Agreement
Parcel 2B - Arcadia Co-op	Agreement to Lease Lease Assisted Housing Agreement
Parcel 3 - Cityhome *	Agreement to Lease Lease Assisted Housing Agreement Dylex Parking Lease Quadripartite Agreement
Parcel 4 - Windward Co-op	Agreement to Lease Lease Assisted Housing Agreement Dylex Parking Lease Quadripartite Agreement
Parcel 1A - Inner City Non-Profit Development Inc. **	Agreement to Lease Lease Rental Housing Agreement

* Pending execution
** Pending Government of Canada approval and execution.

APPENDIX K

HARBOURFRONT SUBSIDIARIES
(and Potential Subsidiaries)

C O N T E N T S

Attached are "Fact Sheets" describing corporations that are subsidiaries of Harbourfront Corporation or are potentially subsidiaries of Harbourfront Corporation:

1) The Art Gallery at Harbourfront
2) School By The Water
3) Harbourpoint Developments (Harbourfront) Ltd.
4) 630370 Ontario Limited
5) Peter Street Basin Properties Inc.
6) 15972 Canada Limited (potential subsidiary)
7) Bathurst Quay Place Limited (potential subsidiary)

The Art Gallery at Harbourfront and School By The Water have not been considered subsidiaries in the legal sense since there is no share capital and because of the relative autonomy of the separate Boards of Directors. In both cases Harbourfront has the potential to control the Board of Directors.

Harbourpoint Developments (Harbourfront) Ltd. holds Harbourfront's one-third equity interest and half voting interest in the Harbourpoint project. When the obligations to Harbourfront for all construction phases, including the retail component and payment of funds, have been fulfilled, Harbourfront's equity in this Corporation will be sold to Huang and DanczKay. Harbourfront's interest in the retail component of the project will be sold to 630370 Ontario Limited, a Corporation that is 100% controlled by Harbourfront.

CORPORATION NAME: THE ART GALLERY AT HARBOURFRONT

DATE OF INCORPORATION: October 31, 1979

METHOD OF INCORPORATION: Letters Patent and Supplementary Letters Patent dated November 11, 1983, increasing the Board of Directors from 9 to 28.

JURISDICTION: Ontario

STRUCTURE:

1) Non-Share Capital Membership Corporation

2) Board of Directors comprised of 28 people in 2 membership classes - 12 class A, 13 class B plus 3 individuals - Director of the Art Gallery; the Director of Programming for Harbourfront; the Director of Corporate Planning and Operations for Harbourfront.

3) Class A members are comprised of individuals as determined by a resolution of the Board of Directors.

4) Class B members are comprised of representatives put forth by and staff of Harbourfront Corporation.

5) Non-profit Corporation subject to Charities Accounting act and possesses a Charitable Institution registration for Income Tax purposes.

BANK: Bank of Nova Scotia, 41 Harbour Square

FISCAL YEAR END: March 31

LAWYERS: Goodman & Goodman

OFFICERS: President, James Fleck
Vice-President, Carole Grafstein
Treasurer, Lyman Henderson
Secretary, Renee Van Halm

GENERAL OBJECTIVES:

1) To cultivate and advance the cause of contemporary visual arts in Ontario.

2) To conduct programmes of education and appreciation for the visual arts.

3) To exhibit works of art and maintain and operate a gallery and related facilitates as required for this purpose.

4) To collect monies by various means to expend on the furtherance of the objectives.

CORPORATION NAME: SCHOOL BY THE WATER

DATE OF INCORPORATION: November 12, 1980

METHOD OF INCORPORATION: Letters Patent

JURISDICTION: Ontario

STRUCTURE:

1) Non-share Capital Membership Corporation

2) Board of Directors composed of 13 people in 2 membership classes - 7 class A and 6 class B.

3) Class A members are composed of representatives put forth by and staff of Harbourfront Corporation and such other individuals as determined by a resolution of the Board of Directors.

4) Class B members are composed of such other individuals as determined by a resolution of the Board of Directors

5) Non-profit corporation subject to the Charities Act.

BANK: Bank of Nova Scotia

AUDITORS: Green & Cadsby

FISCAL YEAR END: March 31

LAWYER: GOODMAN & GOODMAN

OFFICERS: President, D.F. Colbourne
Vice President, J. Augustine
Secretary Treasurer, L. Golberg

GENERAL OBJECTIVES:

1) To provide an urban studies programme in an extended classroom environment and infuse learning with purpose and adventure.

2) In conjunction with the Ontario Ministry of Education to develop curriculum guidelines for the study of the waterfront including Harbourfront's resources and facilities.

3) To collect monies by various means to expend on the furtherance of the objectives.

4) To develop multi-cultural programmes.

CORPORATION NAME: HARBOURPOINT DEVELOPMENTS (HARBOURFRONT) LTD.

DATE OF INCORPORATION: July 23, 1984

METHOD OF INCORPORATION: Letters Patent

JURISDICTION: Ontario

STRUCTURE:

1) Authorized capital 300 Common Shares - 100 Special Shares

2) Issued: 300 Common Shares
100 Special Shares

All shares are voting shares

3) Four Directors - B. Danczkay
- M. Huang
- J. Tory
- F. Mills

4) Four Officers
- President	- B. Danczkay
- Vice President Marketing	- M. Huang
- Vice President Finance	- F. Mills
- Secretary	- K. Gronsdahl

SHAREHOLDERS:

Huang & Danczkay Limited - 200 Common Shares
Harbourfront Corporation - 100 Common Shares
- 100 Special Shares

BANK: Toronto Dominion Bank, Bathurst & Eglinton

AUDITORS: Green & Cadsby

FISCAL YEAR END: September 30

LAWYERS: Borden & Elliot

GENERAL OBJECTIVES:

1) To construct, market, sell and register the condominiums of Harbourpoint.

2) To protect Harbourfront and the Crown's vulnerability by acting as declarant in the Harbourpoint condominiums.

CORPORATION NAME: 630370 ONTARIO LIMITED

DATE OF INCORPORATION: July 5, 1985

METHOD OF INCORPORATION: Letters Patent

JURISDICTION: Ontario

STRUCTURE:

1) Unlimited authorized share capital comprised of Common shares of no par value, 100 Common shares issued at $1.00 each.

2) Three Directors
Robert Kanee
Frank Mills
Ken Gronsdahl

3) Three Officers
President, Robert Kanee
Vice-President, Frank Mills
Secretary-Treasurer, Ken Gronsdahl

SHAREHOLDERS: Sole shareholder - Harbourfront Corporation

BANK: Bank of Nova Scotia, 41 Harbour Square

AUDITORS: Green & Cadsby

FISCAL YEAR END: March 31

LAWYERS: Borden & Elliot

GENERAL OBJECTIVES:

1) To hold Harbourfront's half interest in the retail component of Harbourpoint. The subsidiary environment allows for the establishment of an operating entity from which would flow, before tax dollars, to the subsidiary while distancing Harbourfront from the joint and several liability obligations that may be incurred as a result of direct involvement.

CORPORATION NAME: PETER STREET BASIN PROPERTIES INC.

DATE OF INCORPORATION: July 4, 1986

METHOD OF INCORPORATION: Letters Patent

JURISDICTION: Federal

STRUCTURE:

1) Unlimited authorized share capital comprised of Common shares of no par value. 100 Common shares issued at $1.00 each.

2) Directors Robert Kanee
Frank Mills
Ken Gronsdahl
Leonard Golberg
John Tory

3) Officers - President, Robert Kanee
- Vice-President, Frank Mills
- Secretary, Ken Gronsdahl
- Treasurer, Leonard Golberg

SHAREHOLDERS: Sole shareholder - Harbourfront Corporation

BANK: Bank of Nova Scotia, 41 Harbour Square

AUDITORS: Green & Cadsby

FISCAL YEAR END: March 31

LAWYERS: Borden & Elliot

GENERAL OBJECTIVES:

1) To allow for the establishment of a condominium on the land portion of the rental housing project by acting as declarant.

2) To hold the land on which the operations of the rental housing project will occur through a lease while protecting Harbourfront's vulnerability against joint and several liability.

CORPORATION NAME: 15972 CANADA LIMITED

DATE OF INCORPORATION: September 24, 1986 (Shelf Corporation)

METHOD OF INCORPORATION:

JURISDICTION: Federal

STRUCTURE:

1) Not fully organized at this date, pending Treasury Board approval.1 Common share - shareholder, Rosalind Morrow in trust

BANK:

AUDITORS:

FISCAL YEAR END:

LAWYERS:

OFFICERS: Rosalind Morrow

POTENTIAL GENERAL OBJECTIVES:

1) To hold land on behalf of Harbourfront Corporation for the projects which may be developed by Konvey on Bathurst Quay.

2) To provide Harbourfront and the Crown with protection by distancing an operational asset through a separate corporation.

3) To hold Harbourfront's share of the projects on Bathurst Quay potentially developed through Konvey, and to receive income out of those projects.

CORPORATION NAME: BATHURST QUAY PLACE LIMITED

DATE OF INCORPORATION: October 27, 1986

METHOD OF INCORPORATION:

JURISDICTION : Federal

STRUCTURE:

1) Organized solely through the developer in order to execute the development agreement. Not fully organized pending Government of Canada approval for transfer of land.

BANK:

SIGNING OFFICERS:

AUDITORS:

FISCAL YEAR END:

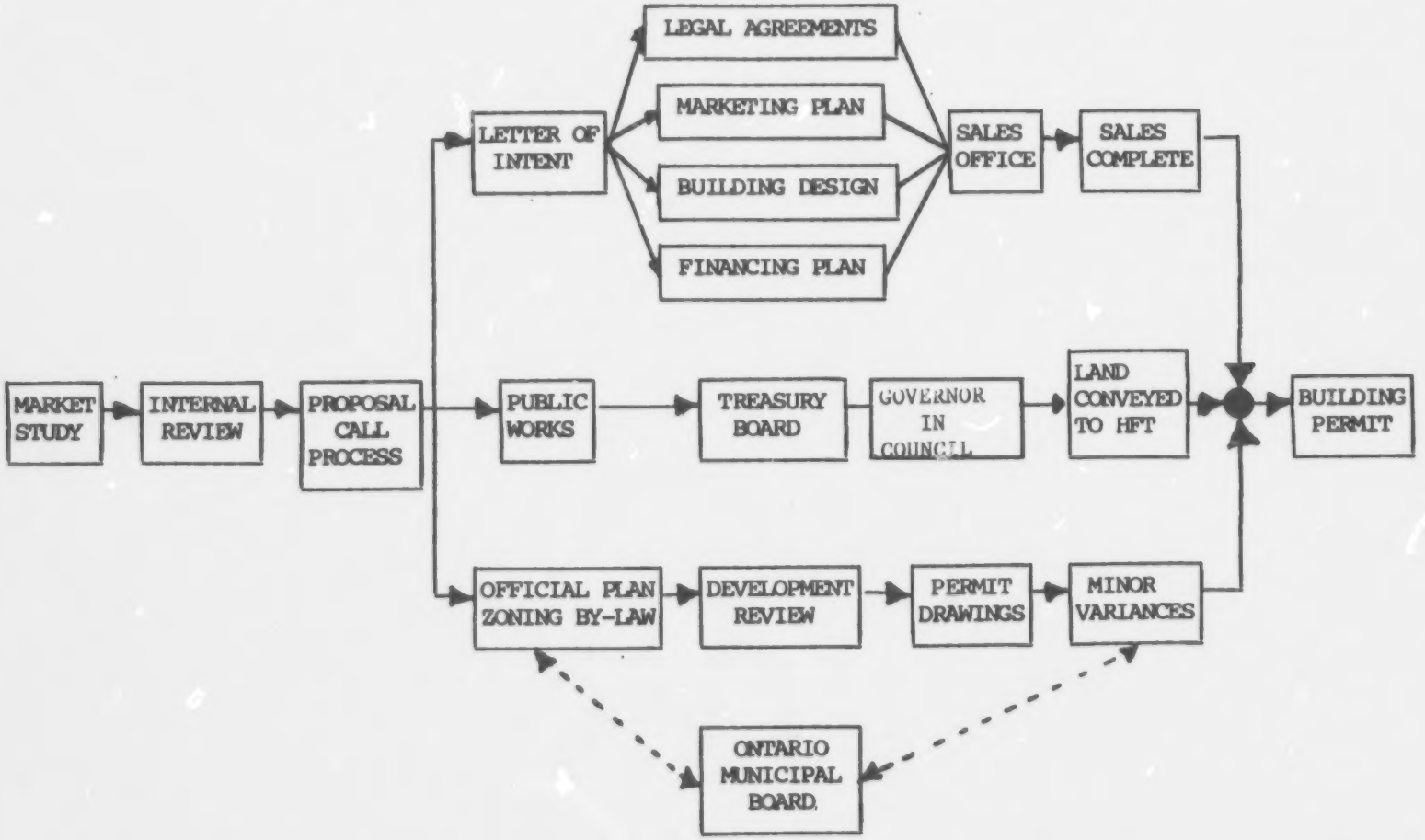
LAWYERS:

DIRECTORS: Dennis J. Hawley
Mohamed Nayed
John Ryan Hawley
William Hugh Wylie

GENERAL OBJECTIVES:

1) To develop the Bathurst Quay Projects.

APPENDIX L



DEVELOPMENT PROCESS FOR A PRE-SOLD BUILDING

(OFFICIAL PLAN & ZONING BY-LAW IN PLACE)

APPENDIX M

FINANCIAL IMPACT OF DOWN-ZONING

(Millions of Dollars)

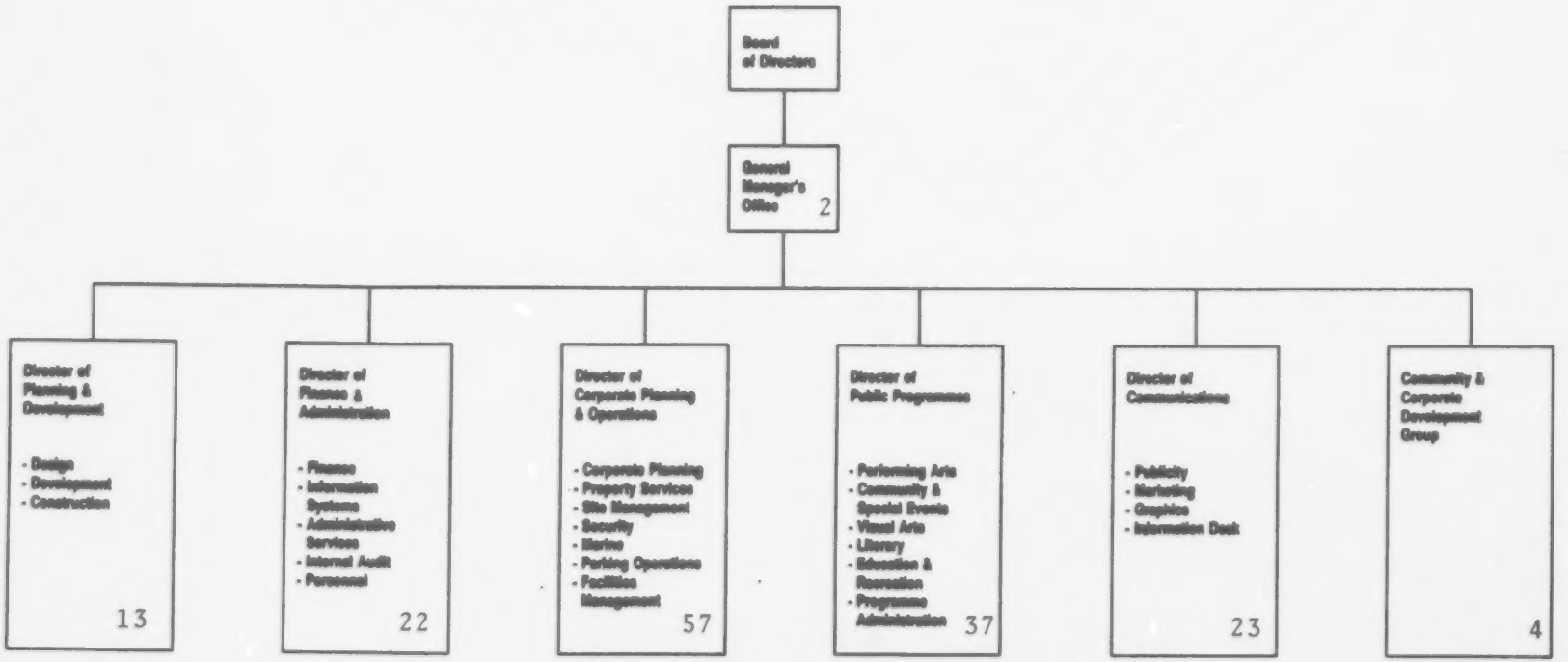
	Completion	10% Down-zoning	20% Down-zoning	No Further Development
10-Year Cumulative Net Profit (Loss)	30	(11)	(28)	(91)
Cash Reserves in 1997	10	(8)	(23)	(65)
CRF Account Balance in 1997	26	10	1	(20)

3*692-87/CHART-DOWN-Z

APPENDIX N

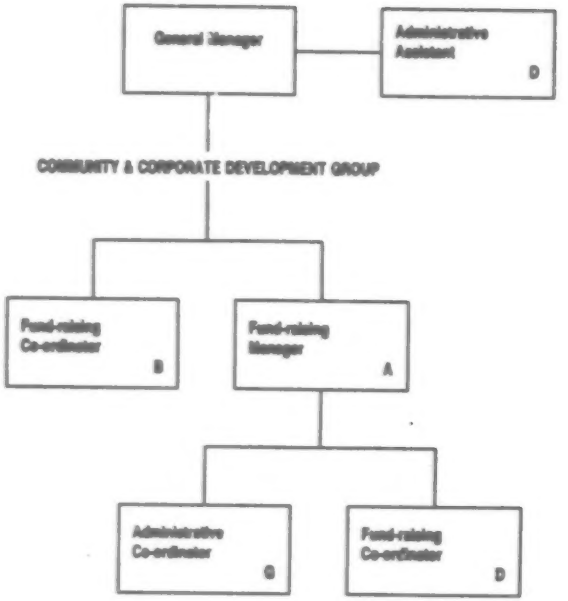
HARBOURFRONT CORPORATION

CORPORATE ORGANIZATION



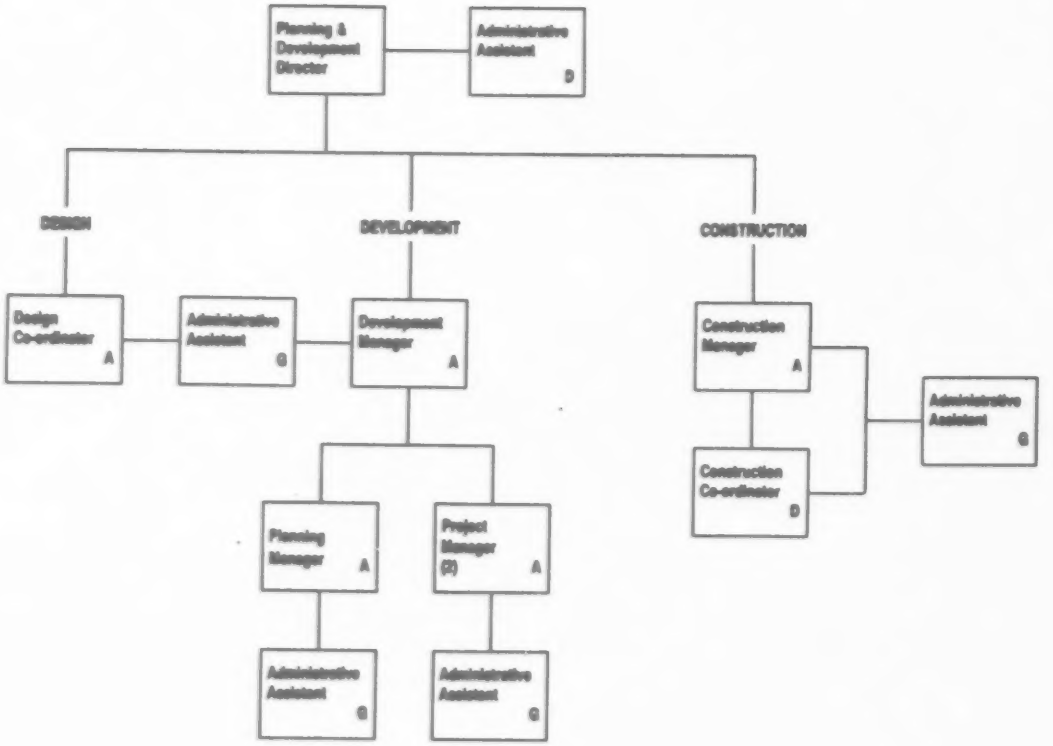
HARBOURFRONT CORPORATION

GENERAL MANAGER'S OFFICE



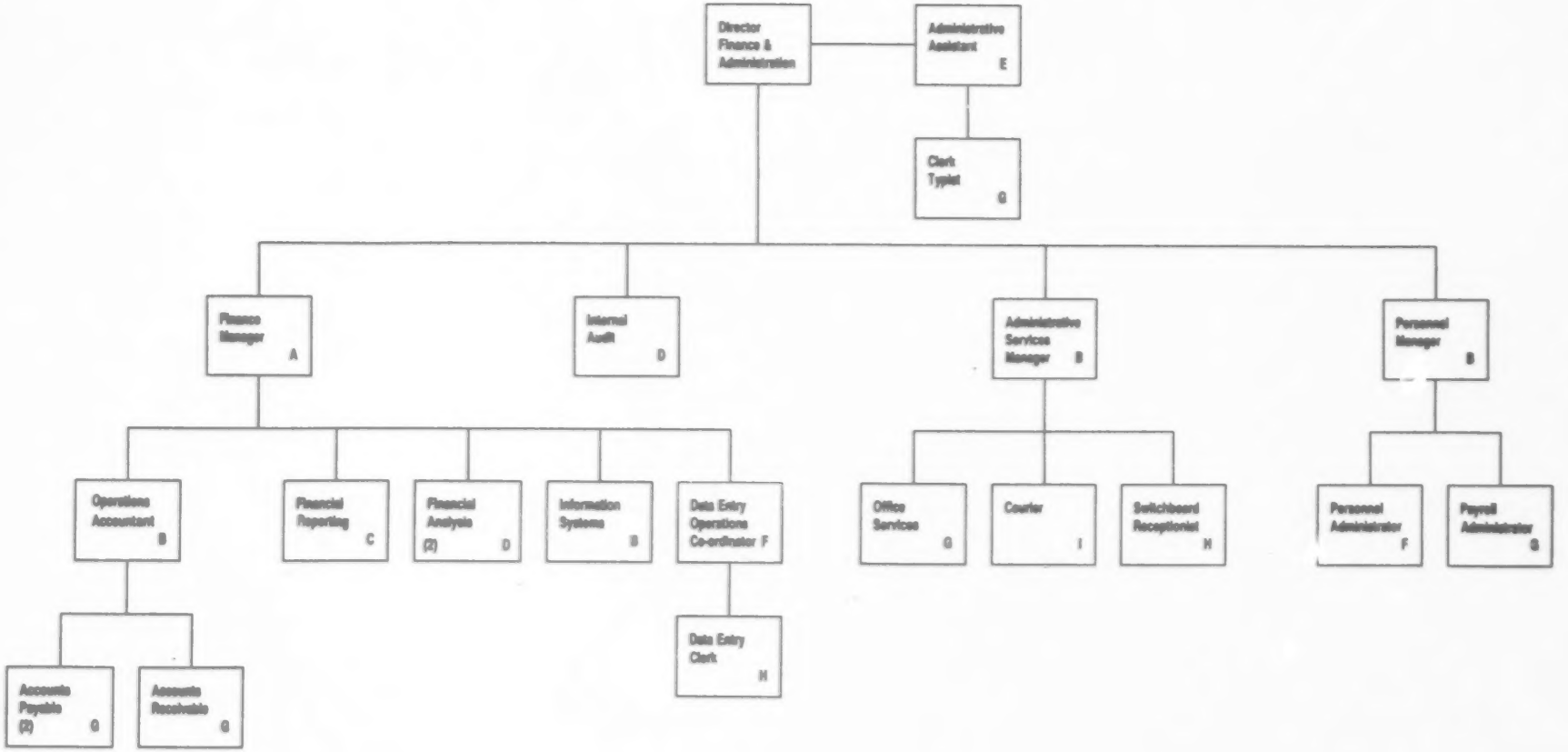
HARBOURFRONT CORPORATION

PLANNING & DEVELOPMENT DIVISION



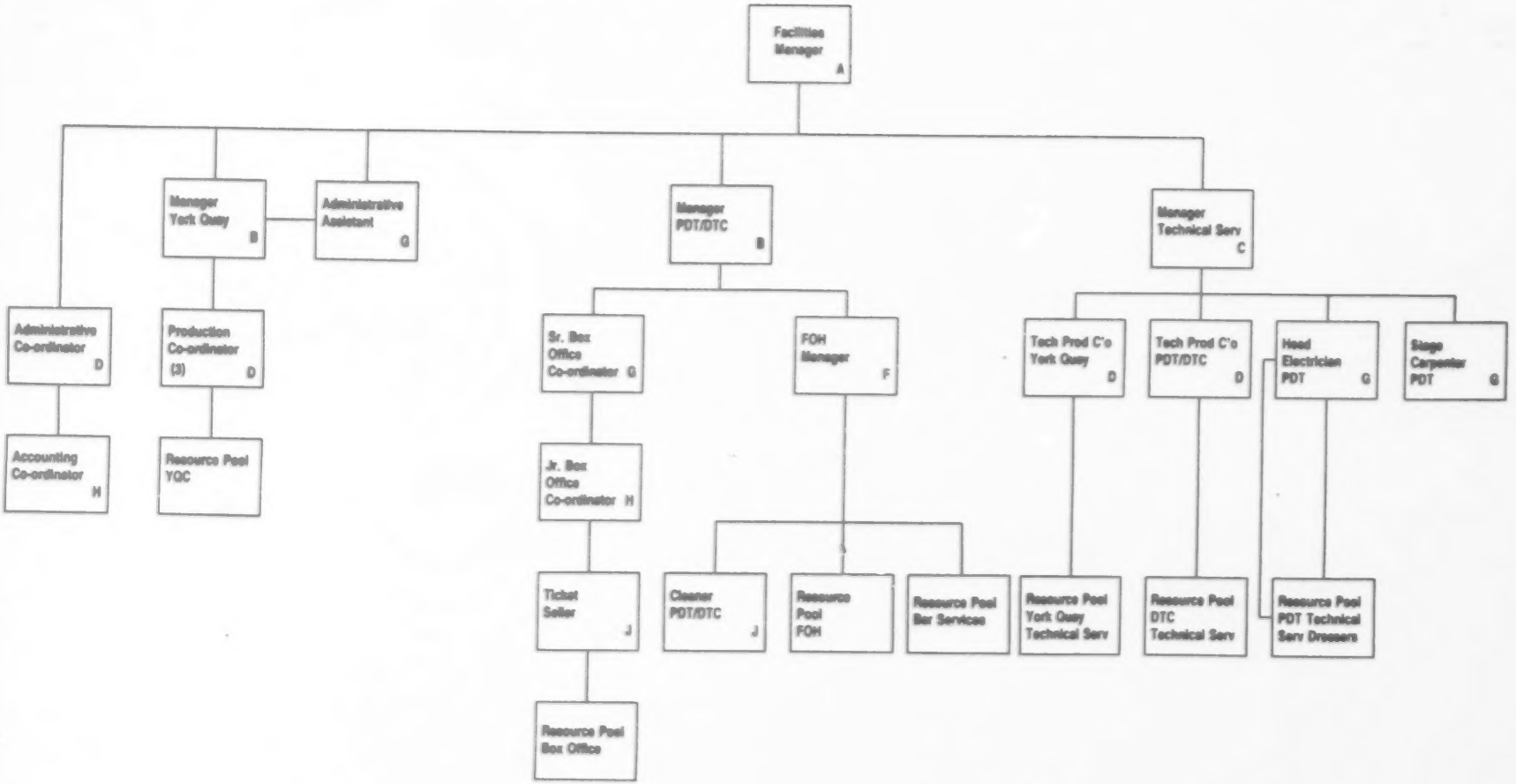
HARBOURFRONT CORPORATION

FINANCE & ADMINISTRATION DIVISION



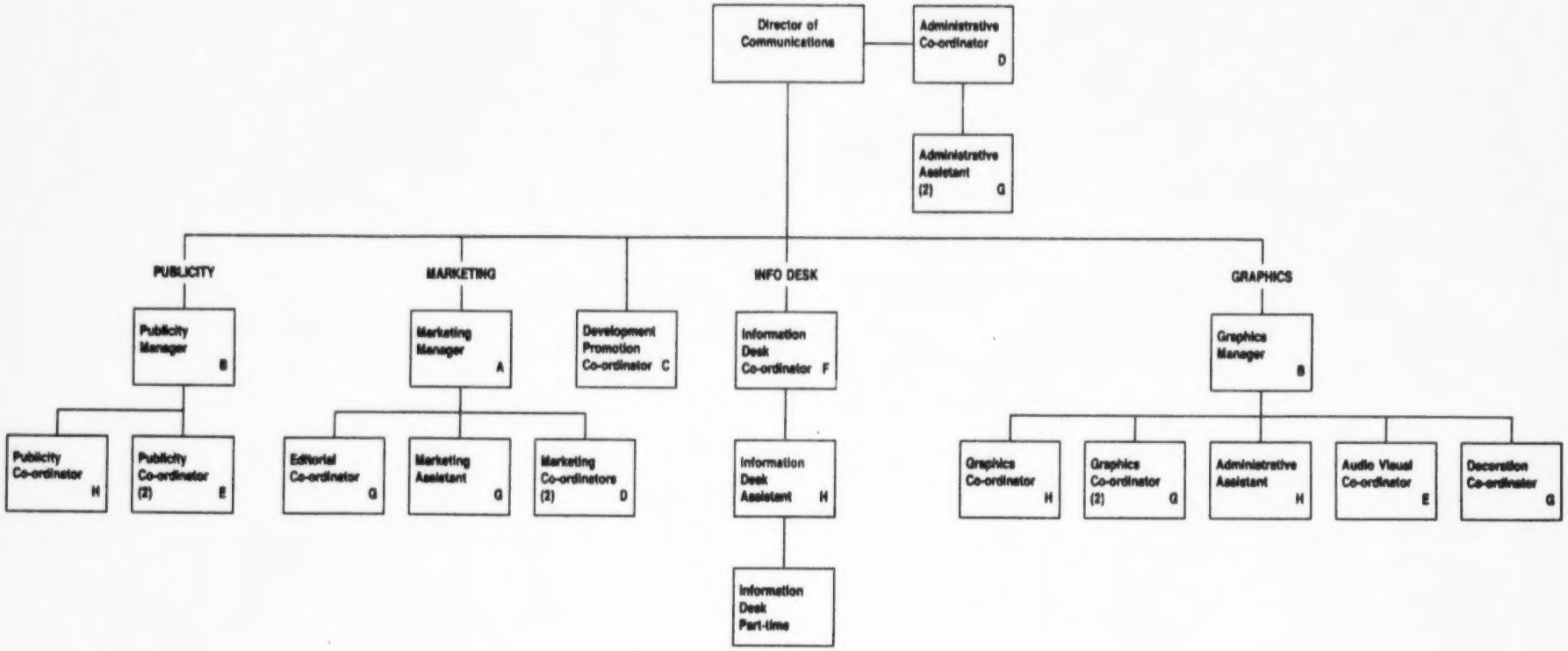
HARBOURFRONT CORPORATION

FACILITIES MANAGEMENT DEPARTMENT



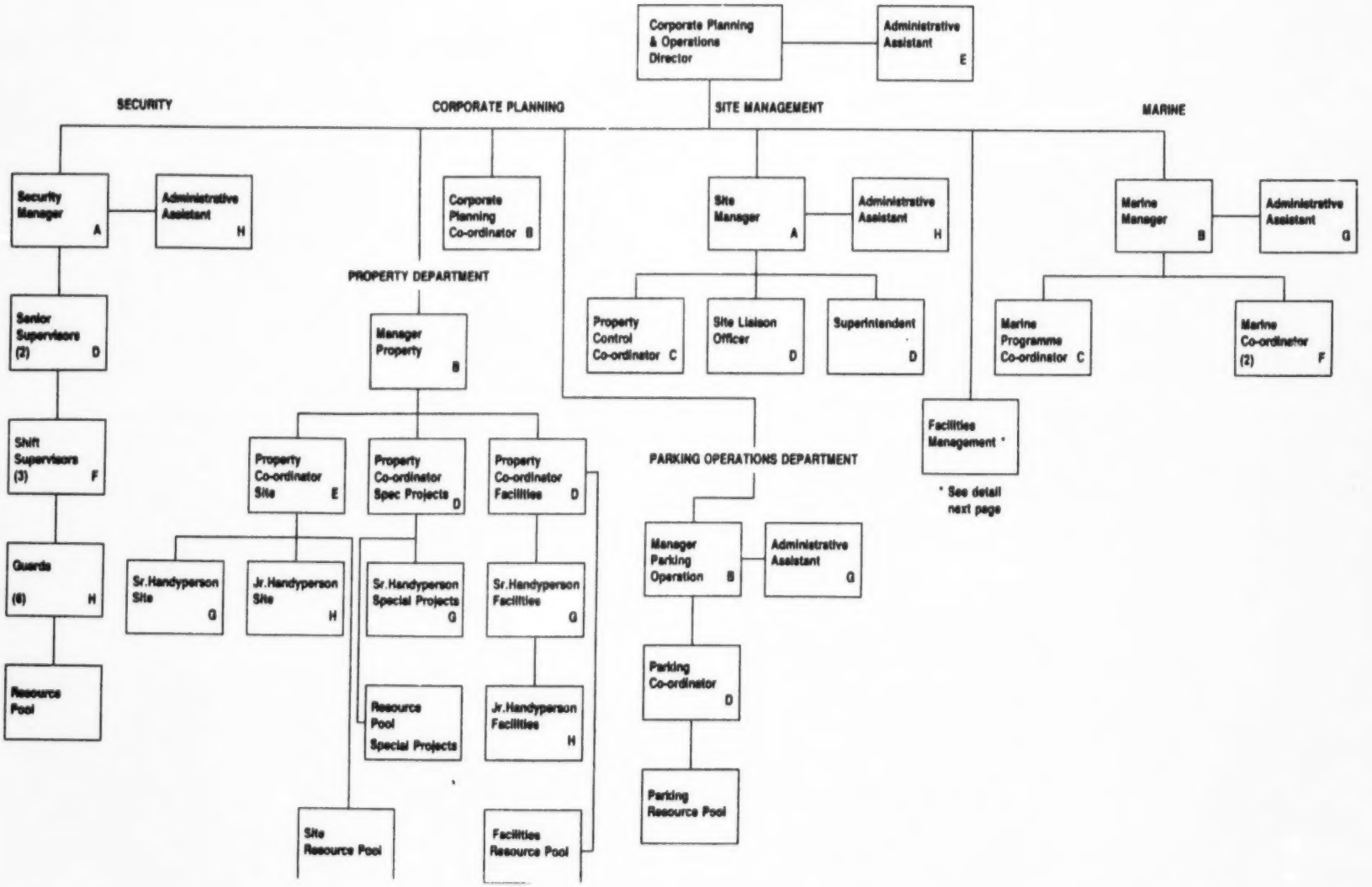
HARBOURFRONT CORPORATION

COMMUNICATIONS DIVISION



HARBOURFRONT CORPORATION

CORPORATE PLANNING & OPERATIONS DIVISION



HARBOURFRONT CORPORATION

PUBLIC PROGRAMMES DIVISION